

# Pay curbs start of long-term strategy

The Government measures to combat inflation published yesterday fixed an upper limit of £6 a week for pay increases during the next year's pay round, with a cut-off point on salaries of £8,500. They are

to take effect from August 1 for a full 12 months but the Chancellor of the Exchequer made clear that they would be only the first phase in a policy of pay curbs that will last for several years. The TUC and

moderate union leaders joined in approving the measures but left-wing trade unions predicted that the package would not work. While the Shadow Cabinet is expected to support the Government, it is likely

that Tory reservations will be expressed in a reasoned amendment. Shadow ministers expressed serious misgivings on whether the Government's measures were equal to the task of conquering inflation.

## The main points of the new policy

- A limit of £6 a week on pay rises in the next negotiating round
- No rises for those earning more than £8,500 a year
- The scheme to operate for 12 months from August 1
- Legal discrimination against employers who seek to pay more than £6 a week
- Statutory power to prevent excessive rises being passed in under the Prices Code
- No help for nationalized industries that make excessive pay deals
- Restricted trade support grants for local authorities joining the same
- 70m more for food subsidies next financial year and £80m more to keep council rent rises down

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## Restrictions will last for several years, Chancellor says

By David Wood  
Political Editor  
Although the Government's "compulsory voluntary pay policy" (as Labour would describe it) has been introduced to run from August 1 for a full 12 months, the Chancellor made clear yesterday that it is to be the first phase in a statutory policy that will run for several years.



Mr Healey and Mr Wilson explaining the anti-inflation policy at a press conference yesterday.

The policy, as announced by the Prime Minister in the Commons yesterday and expounded by him and the Chancellor at a subsequent news conference, fixes an upper limit of £6 a week for wage increases during the next year's pay round, with a cut-off point on salaries of £8,500.

Not everyone will suffer a fall in living standards, Mr Healey said. A married couple on two thirds of average earnings would receive a slight increase over the next year of 2 per cent, but at £7,000 there would be a fall of 6 per cent on real net income, after allowing for tax and contributions.

But Mr Healey had tough words for anybody who thinks that belts must be tightened only for one year. It was not a once-for-all policy. It was part of a programme to bring inflation under control.

Whatever reservations the Opposition may have about the effectiveness of the Government's package, the possibility has to be reckoned with that any likely government would exploit the Labour Government's understanding with the TUC and CBI by perpetuating some form of incomes policy. That means Parliament is now dealing with what promises to be a permanent move away from market forces and towards the corporate state.

CBI have approved the essentials of the package, and that therefore it is the Government's duty to ensure that everybody keeps it. In that sense, it is not to be regarded as an enforced policy.

As Mr Wilson said in the Commons: "We intend to ensure observance of the new pay policy by employing the full battery of weapons available... As employer the Government will ensure that all settlements in respect of its employees... comply with the pay limit. It will call on all other public sector employers to do the same."

"That meant that for the nationalized industries and services no money would be made available for excess settlements," he said. Those seeking to negotiate settlements above the agreed limits must face the certain consequence that there would be an inescapable cut-back in the present expenditure of the board or corporation concerned, directly affecting employment in that industry.

## Shadow Cabinet's misgivings on adequacy of new measures

Michael Hatfield  
Political Staff  
The Conservative Shadow Cabinet met for one hour yesterday to consider the Prime Minister's statement and while the party line is expected to be one of support, the Government here is a strong likelihood that reasoned amendment to the proposals will be tabled.

One example quoted was the food industry, where they said that a £6 flat rate increase represented a 20 per cent increase in incomes.

There was also strong criticism that the sanctions against proposed increases above the £6 ceiling were one-sided. The Government had not made clear if it would assist employers who stood up against strikers seen to be demanding higher increases.

The parliamentary Liberal Party is to meet on Monday to discuss the strategy, but it seems to share some Conservative views that the proposed measures do not go far enough.

Mr Thorpe, party leader, said last night: "Our relief that at last action is now contemplated is tempered by the one-sided nature of the measures proposed. Anyone would think we were trying to correct a temporary relapse instead of a full-scale economic recession."

He accused the Government of abdicating to others its responsibility for attacking inflation. For the past 18 months the TUC had been given responsibility for enforcing the

## Union left attacks 'cut in living standards'

By Paul Routledge and Tim Jones  
The TUC and moderate trade union leaders yesterday joined in attacking the Government's anti-inflation measures, but left-wing union chiefs attacked them and predicted that they would not work.

## Mr Wilson's feat of reconciliation

By Hugh Noyes  
Parliamentary Correspondent  
Mr Wilson yesterday seemed to have pulled off a feat of reconciliation that will go down in the annals of political wizardry as one of his greatest achievements. Out of the Babel that preceded the publication of yesterday's White Paper from the political right, left and centre, he emerged with a Commons statement that produced not a single threat of resignation or instant revolution.

On the benches behind Mr Wilson were Mr Heffer, Mr Skinner and many others of the far left, at least some of whom it was felt might erupt like Vesuvius at what was about to be said. Ministers and shadow ministers were squeezed shoulder to shoulder on their respective front benches.

## Financial Times' plans change to computer production to cut losses

David Leigh  
The Financial Times, widely regarded as one of the most financially secure national newspapers, yesterday announced that it was to computerize production, shedding a third of its 1,400 staff, as the way to cut costs. Otherwise the paper would be losing £m a year by 1978, its chief executive announced.

Mr Alan Hare, the managing director and chief executive, said that the plan was to reduce the number of staff by a third, to 933, by the end of the year. The plan would be implemented in stages, with the first cuts in the production and circulation departments.

## Dr Soares says Socialist Party will not accept subservience to armed forces

Lisbon, July 11.—Dr Mario Soares, who led his Socialist Party out of the Government early today, accused the ruling Armed Forces Movement of threatening Portugal with a communist-style police state.

He reminded a press conference that the Socialists were Portugal's biggest party, having won 37.8 per cent of the votes in the April elections. "We do not accept subservience to the armed forces," he declared.

Dr Soares was speaking for his party alone. But a senior member of the left-of-centre Popular Democratic Party (PPD) said his words reflected PPD views. The PPD which took 26.3 per cent of the votes in April, would also walk out of the Government, he said.

## US safety board orders jumbo jet design changes

From Our Correspondent  
New York, July 11  
The Federal Aviation Administration today issued an airworthiness directive ordering substantial design changes in all new Boeing 747 jumbo jets.

## Mrs Castle plans cuts in NHS running costs

Mrs Castle, Secretary of State for Social Services, yesterday announced measures aimed at helping the National Health Service to withstand a probable standstill in its resources over the next few years while making it better equipped to win a bigger share in future. She proposes cuts in administrative costs, joint health and local authority planning and financing of some services and more

participation by health service workers and local councillors in the running of the service. Mrs Castle told the National Association of Health Authorities that it was planned that one third of the membership of each regional and area health authority should be drawn from local authorities. Authorities would be asked to seek ways of cutting administrative costs.

## Dr Kissinger and Mr Gromyko make progress on Salt

Dr Kissinger, the American Secretary of State, and Mr Gromyko, the Soviet Foreign Minister, met for 12 hours in Geneva yesterday, making progress towards agreement on the strategic arms limitation talks.

(Salt) but afterwards being reluctant about Middle East developments. Dr Kissinger flew on to Bonn last night to see the visiting Israeli Prime Minister, Mr Rabin.

## Prentice affair a 'national scandal' Hint in India of one-party rule

Mr Bryan Magee, MP, has told the constituency Labour party at Newham North-East that it would be a national scandal and do the party irreparable harm if they ousted their MP, Mr Prentice. Last night Mr Prentice said his stand exemplified the need to reaffirm belief in free speech and tolerance.

A suggestion that India should look towards the one-party systems of government which exist in black Africa was made yesterday by the Congress Party newspaper The National Herald. The paper, which acts as a mirror of Mrs Gandhi's government's thinking, said that Westminster-style democracy was unsuitable for some nations.

## Peron defeat £40m VAT loss

Senora Peron, President of Argentina, yesterday accepted the resignation of Senor Lopez Rega, her closest political adviser. The President has been forced to give way to the trade unions and reshuffle her Cabinet to retain the support of organized labour.

Lack of adequate staff has been a major influence on the loss of an estimated £40m in value-added tax revenue to the Government. This was among disclosures made yesterday in the report of the Public Accounts Committee.

## Output slides England collapse

Output in Britain's factories and workshops is now lower than it was during the three-day emergency during the winter of 1972-74. There was a further sharp fall in output in May, according to official figures published yesterday.

Silkin call: Local authorities must "sink their rivalries and work together", Mr John Silkin, Minister for Planning and Local Government, said yesterday.

## Strasbourg: British Labour MP calls for European Parliament to be given direct control over EEC spending

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Diplomacy: Mr Callaghan's patient efforts have saved Mr Hills but what if General Amin stages a similar incident?

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Leading articles: The White Paper; Portugal	Sport, page 20-22
Features, pages 7-12	Golf: Bobby Cole takes the lead in the British Open with a round of 66; Racing: Lingfield Park insurance; Liverpool: Athletics: Lucerne international regatta
John Bingham captures the world motor racing championship; Philip Howard on the Arts Council's exhibition of art for the country's sake; Robin Mead remembers the days when a package tour to France cost £5; Peter Hain on the men from the ministry who throw away unwanted secrets	Business News, pages 15-19
Arts, page 9	Stock market: Both gilts and equities fell sharply in response to the Government White Paper. The FT index lost 10.8 to 313.5
Michael Medwin talks to Sheridan Mooney about his return to the stage	Personal investment and finance insurance: problems when pets cause damage; Capital transfer tax: what happens if you cannot meet the bill; Investor's week: a nervous market reaction to the White Paper
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## The less you can hear, the more you'll listen

Most people aren't really interested in hearing about deafness. Until, one day, it happens to them. Then the activities of the RNID suddenly become rather important. And rather worrying. Because the free advice, the test and research facilities, the social welfare service, the many homes and training centres—depend on donations, covenants and bequests. Hopefully, you'll never need the help of the RNID. But we need yours right now. No amount is too small. Even a little help is better than none. And if you normally turn a deaf ear to charity appeals, then you've got a very good reason for listening to ours.

The Royal National Institute for the Deaf  
(Patron: The Duke of Edinburgh, K.G.)  
105 Gower Street, London WC1E 6AH  
Telephone: 01-387 8033







# THE ATTACK ON INFLATION

## Chancellor says package could involve £300m fall in demand

By Our Political Editor

When the Chancellor of the Exchequer faced a news conference yesterday at the Ministry of Defence he said that if his economic measures were accepted, they would involve an overall fall in demand of £300m, which in turn would imply an increase of unemployment running into a few tens of thousands.

But he believed the reduction in demand would not take place. There would be some dissaving, and there would be more investment leading to job creation. He thought there might also be increased exports, replacing internal with external demand.

He said: "I would expect the effect of the measures on the total of employment to be favourable. The Government were not taking these measures, I think the consequences for sterling would be such that it would lead to a two or three million a year."

Mr Wilson had earlier given his view that the Government had published in the White Paper a tough, workable, and above all effective, policy for attacking the will of inflation.

The unprecedented rise in prices which followed the fivefold oil price increases 18 months ago was worldwide. But whereas in the rest of the industrialized world inflation has recently begun to decrease, even at a cost in unemployment far higher than anything we have seen in Britain, in this country the rise in prices has continued to accelerate. The Government has made clear its determination to bring it under control. This is what the whole country wants.

There is no simple, dramatic cure. To reject the use of mass unemployment, which might or might not work, but which would surely destroy our democratic way of life, is to choose a path which would mean imposing criminal sanctions against workers. We have set the nation's target. It must be cut to 10 per cent by the third quarter of next year. It must fall below that into single figures, before 1976. It must be no higher than the inflation rate of our main competitors.

There should be no misunderstanding about the nature of this crisis. It is immediate, it is with us. It affects every family in the land, above all the low-paid, the pensioners, the disabled, the sick, the large family, the one-parent family. If as a nation we fail to

overcome it then no one will escape the harm that will ensue; as I told the miners' annual conference on Sunday, not even democracy itself.

No job would be safe. No one's future would be secure. No pay would be safe. Big pay rises disappear in the new round of price rises they generate. Everyone feels cheated. Everyone is cheated, and those who have sought to protect themselves have cheated themselves.

The Government has decided that the limit on pay increases during the coming pay round cannot exceed 5 per cent. There will be no exceptions. If there is any determined attempt to breach that limit, any desire, by employer or worker, to get round it, then the Government, with equal determination, will use all its powers to defeat it.

Real sacrifices over years

And if the powers we have—and as I have told Parliament we are going to strengthen and fortify—are not enough, we shall not hesitate to turn back to the Government will apply this policy rigorously in the public sector and will require private employers to comply.

For many people this policy will mean real sacrifices over the coming year, though in its rough justice it will be the least worst of the men and women who do not have the industrial muscle to grab even temporary jobs.

But any policy less tough would only delay the sacrifice until the time when an immeasurably greater sacrifice would be exacted.

As a Government, we have deliberately rejected criminal sanctions against workers. Nor will we use the power of the law to drive people into acquiescence. But it is our duty as a Government to warn the nation that the path of least resistance is not only another man's price rise; it might also cost him his own job, his own future, his own family.

Mr Healey went out of his way to make clear that the Government's incomes policy

was not going to be a once-for-all operation. The policy would last for 12 months from August 1, to keep the next pay round under control, but it would be followed by revised versions year after year.

He broadly hinted at a virtually permanent condition of corporate state controls on incomes and argued strongly that the Government was attempting to do no more than give a relative underwriting to a policy agreed by the TUC and the CBI. Mr Healey said:

"We had now reached agreement on the formula for achieving our objective. We have committed ourselves, like the TUC, to a 5 per cent limit, but the most impressive thing has been the speed with which members of the general council (of the TUC) have themselves reached a voluntary agreement to a limit to pay which falls considerably short of full compensation for the increase in the cost of living over the past 12 months and which will mean some reduction in real take-home pay for the majority, though by no means all their members."

I do not think there has been any previous occasion in the history of this country, nor maybe any other country, in which the trade union movement of its own will has not only agreed on such a policy but has agreed it in very great detail.

Mr Healey, almost surprised by his personal success, explained that he had been agreed that there should be no special cases during the next year's freeze. It was agreed that, apart from increases to achieve equal pay by the end of the year, an objective of both Government and TUC, there should be no special cases or additions to the flat rate 5 per cent—no additions for pension benefits, holidays with pay, no form of increments or prior commitments which would be allowed to breach the limit.

Not carried into overtime

It was also agreed by the Government that £8,500 was the cut-off for incomes beyond which no increase would be permissible. The TUC would have permitted something lower; the CBI would have preferred something a good deal higher, "but I believe the limit we have set is a reasonable one in all the circumstances". The £6 flat rate would be an addition to the weekly wage and would

not be carried through into overtime. He went on to say that because there are no additions of this nature the £6 flat is totally consistent with the 10 per cent overall which I set as a target. The CBI would have preferred a percentage formula, or perhaps a percentage and cash formula mixed. But a straight percentage formula would have had very serious effects on the various income groups. It would have meant people earning £4,000-£5,000 a year would have come off worse and worse as they moved further to the poor end or the richer end.

The Chancellor said they felt it was essential to have a formula, as the TUC wanted, that was dramatic, easily monitored and easily understood. The £6 formula met that test. He explained that the Government's policy covered the wage round for the next 12 months. But it had to be seen as a policy for the first of several years. It was not a once-for-all policy.

The Government believed Britain would be down to a level of inflation equivalent to that of most of its competitors within a year. But they realized the £6 limit would compress differentials and create problems for the next phase of incomes policy. So the Government had agreed with the TUC and the CBI to start discussions in the near future on the next formula.

There was then the question of securing adequate compliance with the Government's formula. Mr Healey explained: "In the public sector our main weapon is support from the employers' side. In government departments, heads of nationalized industries, or leaders of local authorities, in standing up against excessive claims. The existence of methods to punish employers for excess settlements was likely to influence negotiators on both sides of the table."

The essential method we propose to use in the public sector as a sanction against excess is, in effect, to put a cash limit on the wage bills of the public authority concerned and to ensure that any excess over this limit is passed on in prices. Indeed, an excessive wage increase will not be allowed to be passed on at all under the Prices Code, either in

the public or private sector. We shall permit no excessive increase in public sector wages unless it is justified as we have the power to do so.

We shall, of course, permit no increase in Government assistance which will require any authority to look for savings in other areas, savings which are bound to affect employment. In the private sector the Government will use every weapon already at its disposal and add some other weapons to its arsenal. We shall use our power to add some other weapons to its arsenal. We shall use our power to add some other weapons to its arsenal.

Mr Healey showed no sign of his Cabinet battle with Mr Foot, Secretary of State for Employment, when he turned to the increases in public expenditure that he is said to have resisted: £70m more on food subsidies to keep down prices and £80m to temper increases in council house rents next year.

He continued: "The policy announced today in Parliament is not a once-for-all policy. It is a programme and we are not satisfied with the ruling in the rest of the world—and satisfied that we can keep it there. We shall also be discussing the reentry to the next phase of the policy with the TUC and CBI."

Only one weapon in armoury

We see incomes policy as only one weapon in our economic armoury against inflation. We recognize the need to control public expenditure far more rigorously than in the past. We shall impose cash control, and I hope to announce a public expenditure control in 1976-77.

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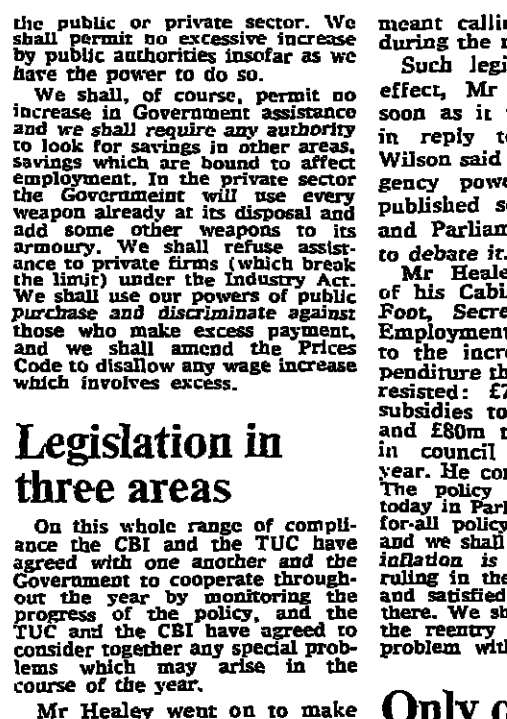
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He continued: "The policy announced today in Parliament is not a once-for-all policy. It is a programme and we are not satisfied with the ruling in the rest of the world—and satisfied that we can keep it there. We shall also be discussing the reentry to the next phase of the policy with the TUC and CBI."

Only one weapon in armoury

We see incomes policy as only one weapon in our economic armoury against inflation. We recognize the need to control public expenditure far more rigorously than in the past. We shall impose cash control, and I hope to announce a public expenditure control in 1976-77.

We propose to take the necessary steps through legislation to ensure that economic developments which will take place in the next year are not such as to require a massive money supply under adequate control.

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"Fooling around": Lord George Brown commented last night that Mr Wilson was "fooling around" and the measures were just a weaker form of the 1966 prices and incomes policy. At least Nero fiddled, the Prime Minister just chats." he said.

not be carried through into overtime. He went on to say that because there are no additions of this nature the £6 flat is totally consistent with the 10 per cent overall which I set as a target. The CBI would have preferred a percentage formula, or perhaps a percentage and cash formula mixed. But a straight percentage formula would have had very serious effects on the various income groups. It would have meant people earning £4,000-£5,000 a year would have come off worse and worse as they moved further to the poor end or the richer end.

The Chancellor said they felt it was essential to have a formula, as the TUC wanted, that was dramatic, easily monitored and easily understood. The £6 formula met that test. He explained that the Government's policy covered the wage round for the next 12 months. But it had to be seen as a policy for the first of several years. It was not a once-for-all policy.

The Government believed Britain would be down to a level of inflation equivalent to that of most of its competitors within a year. But they realized the £6 limit would compress differentials and create problems for the next phase of incomes policy. So the Government had agreed with the TUC and the CBI to start discussions in the near future on the next formula.

There was then the question of securing adequate compliance with the Government's formula. Mr Healey explained: "In the public sector our main weapon is support from the employers' side. In government departments, heads of nationalized industries, or leaders of local authorities, in standing up against excessive claims. The existence of methods to punish employers for excess settlements was likely to influence negotiators on both sides of the table."

The essential method we propose to use in the public sector as a sanction against excess is, in effect, to put a cash limit on the wage bills of the public authority concerned and to ensure that any excess over this limit is passed on in prices. Indeed, an excessive wage increase will not be allowed to be passed on at all under the Prices Code, either in

the public or private sector. We shall permit no excessive increase in public sector wages unless it is justified as we have the power to do so.

We shall, of course, permit no increase in Government assistance which will require any authority to look for savings in other areas, savings which are bound to affect employment. In the private sector the Government will use every weapon already at its disposal and add some other weapons to its arsenal. We shall use our power to add some other weapons to its arsenal.

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## Mr Crosland bows to 60p council rent rise limit

By John Young  
Planning Reporter

The decision to restrict council rent increases to a suggested average of 60p a week flatly contradicts the expressed determination of Mr Crosland, Secretary of State for the Environment, that rents should rise to a more realistic level.

Last February, after the enactment of the Housing Rents and Subsidies Bill Mr Crosland, then Minister of Housing, the Environment, that rents should rise to a more realistic level.

Mr Crosland has presumably bowed to Cabinet pressure to keep rents down in return for agreement on wage restraints. An additional £80m central government subsidy is now thought necessary.

The statement that the Government will be prepared to use powers to control local authority borrowing reflects concern that councils may be saddling themselves with excessive short-term debts at very high interest rates. Some are known to be using loan capital to finance services which should be paid for out of current accounts.

Thoroughly, all local government borrowing has to be approved by the Government, a general loan approval is usual and major items require specially approved.

In practice, however, sanction in both cases has been freely given. The result is that local authority debts are estimated at more than £25,000m. About half that money was supplied by the Government, through the Public Works Loans Board, and the rest was raised on the open market.

Although two-thirds of all capital expenditure by councils is on housing, the Government has repeatedly emphasized that it has no plans to restrict new building. Many observers feel that a combination of unrestricted building at a time of soaring costs, and a situation in which local authorities are not even maintenance and upkeep charges, let alone interest on capital, is a recipe for disaster.

The Labour-dominated Association of Municipal Authorities yesterday said most expenditure was a result of legislation requiring local government to undertake certain services, and it could not be cut at short notice without cuts in staff or services or both.

Unit set up to publicize new policies

By Our Political Staff

A publicity unit is to be set up to assist the Government in projecting its counter-inflation policy. It was announced from 10 Downing Street yesterday.

The unit, which will be situated in the Civil Service Department, is to be headed by Mr Geoffrey Goodman, the Daily Mirror's Industrial Editor. He has been granted leave of absence by the paper during the period of service with the Government.

Lord Jacobson, formerly deputy chairman and editorial director of the Mirror Group, will be the unit's special adviser, and has stipulated that he should not receive any fee for his services.

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## THE ATTACK ON INFLATION

## White Paper explains reasons for £6 limit on pay rises

The White Paper, *The Attack on Inflation*, published yesterday, outlined in detail the Government's plans to combat the economic difficulties facing Britain. The text is as follows:

(1) In his statement on July 1, the Chancellor of the Exchequer said:

"A sharp reduction in the rate of inflation is an overriding priority for millions of our fellow citizens, particularly the housewives and pensioners. It is also a pre-condition for the reduction of unemployment and the increase in investment which the Government, the TUC and the CBI all want to see."

Our rate of inflation has been much higher in the 1970s than in earlier periods and recently it has accelerated sharply. In common with many countries we have experienced in the past two years a big increase in the rate at which costs and prices have risen. Like other countries we suffered in 1972-73 the great increase in the cost of imported food and raw materials and in 1973-74 the even greater increase in oil prices which have together cut back what is available to us to maintain and improve our national standard of living. But whereas most other countries have succeeded in bringing down their rate of inflation, we have not. Our prices are 25 per cent above those a year ago. The figures for our competitors are nearer 10 per cent.

(2) This must not go on. The country insists that inflation must be curbed. The Government is determined to achieve this, and believes they will have the support and cooperation of the whole of the country. But there can be no solution to the problem of inflation which relies on the creation of mass unemployment and underemployment of our productive resources. This would be wasteful, socially evil and against our long-term economic interests. The direct and sensible solution is to reduce our rate of inflation in wages and salaries. The Government and the TUC and CBI are agreed that this rate should be brought down to a level of no more than 10 per cent by the end of next year, the year-on-year increase in prices will be no more than 10 per cent, and that by the end of next year it will be no more than 10 per cent. They have also agreed on the pay limit needed to achieve this objective.

## Emergency situation

(3) The problem is not just one for the next year; the Government intend to maintain policies which, over a number of years, will control the rate of inflation and prevent any resurgence of the present rates of price increase. We have to get down to inflation rates no higher than those of our competitors and stay there. But the next 12 months will be critical, and for the emergency situation which the country faces now there has to be a more informed approach which is seen to be just but rightly gives preference to the lower-paid in a period of national difficulty. This is why the Government are supporting the TUC's proposal for a universal pay limit of £5 per week.

(4) The sacrifices called for will not be easy; this will be particularly true in the early months of the policy. The only sensible course is to exercise pay restraint and reduce our domestic inflation without sacrificing our long-term economic goals.

(5) The Government are determined to bring the rate of domestic inflation down to 10 per cent by the third quarter of 1976 and to single figures by the end of 1976.

(6) To achieve this within the framework of the development of the Social Contract, the TUC have agreed that there should be a limit of £5 per week on pay increases. This limit is a maximum increase in pay compatible with the objective of achieving the 10 per cent rate of inflation by the end of next year. The £5 limit is however a maximum which will take place; some employers may not be able to pay it.

(7) Annexed to this White Paper is an extract from the TUC statement "The Development of the Social Contract" which was adopted by the TUC General Council on 9 July. This extract sets out the requirements which should be met by employers and employees in the period from 1 August 1975. The Government considers that the upper limit for the £5 increase should be £5,000 a year rather than £7,000.

(8) The transition to a new policy will give rise to inequity in a few cases where groups have been expecting shortly to complement their annual agreements under the existing TUC guidelines, and the Government think it right to provide some transitional arrangements. To that end they accept that Wages Council proposals and the awards from former arbitration references made before this White Paper should be implemented; and that settlements may also be implemented for the period before the date of publication of this White Paper, have reached agreements for annual settlements dates not later than 1 September provided that they have had no principal increase under the existing TUC guidelines within the last 12 months.

(9) The Government have made every effort to achieve a voluntary restraint on incomes by consent. They are opposed to criminal sanctions on work people. It has been amply demonstrated that these do not work. Nor do the Government favour detailed intervention in collective bargaining. They are very glad therefore that it has been possible to reach agreement with the TUC on new guidelines to the Government's framework of the Social Contract, which is consistent with the anti-inflation target.

(10) Strict adherence to the £5 limit will not be required for the achievement of the objective. If it is not observed the economy will be seriously damaged and we shall all suffer. The Government will ensure strict observance throughout the public sector.

Private sector employers will be expected similarly to observe the limit. The Government do not believe that it would be acceptable to have a collective bargaining system in which the limit have no assurance that the policy will be applied strictly to the public sector. The Government therefore propose to support the guidance given by the TUC to employers with effective sanctions. These will include some further powers in the public sector to ensure that the Government can discharge fully their responsibility for securing observance of the pay limit in that area. They also intend to introduce measures to ensure that the private sector, and to legislate to relieve employers of contractual obligations which might compel them to increase pay by more than the pay limit.

(11) The Government have already announced that in line with the earlier periods and recently it has accelerated sharply. In common with many countries we have experienced in the past two years a big increase in the rate at which costs and prices have risen. Like other countries we suffered in 1972-73 the great increase in the cost of imported food and raw materials and in 1973-74 the even greater increase in oil prices which have together cut back what is available to us to maintain and improve our national standard of living. But whereas most other countries have succeeded in bringing down their rate of inflation, we have not. Our prices are 25 per cent above those a year ago. The figures for our competitors are nearer 10 per cent.

(12) The Government are directly involved as employer in pay settlements affecting two million people. These include the civil service, the armed forces, the police, and the armed forces. In these fields the Government will ensure that settlements comply with the pay limit. (13) The Government will be asking the review bodies for the armed forces, police, doctors and dentists' remuneration, and for top salaries in the public sector, to comply in their recommendations with the pay limit. It will also be necessary to secure compliance with the pay limit in the civil service for the period of the policy.

(14) Local authorities and public transport authorities employ about three million people. Within this group the Government are directly involved in pay settlements for teachers and the police. But there is no other major group of local authority employees whose pay comes under Ministerial control. Nevertheless it is necessary that local authorities should also bring their pay settlements into line with the policy set out in this White Paper.

(15) To this end the Government will have discussions with the new Joint Consultative Council and with the Convention of Scottish Local Authorities. It is a major item in the new approach that rate support grant payable to local authorities will be restricted to settlements which are in line with the pay limit. No grant will be payable on the excess. Moreover, legislation will be brought before Parliament to enable the Government to restrict payment of rate support grant to individual local authorities so that no grant is paid for any part of a settlement which is in breach of the pay limit.

(16) As regards the rate support grant settlement for next year, 1976-77, the calculation of the grant will be based on the rate support settlements both in the remainder of this year and in next year conform to the pay limit. No grant will be payable on the excess in the main settlement for 1976-77 or in increase orders on account of that part of any general pay increase which exceeds the pay limit. In addition, under the new arrangements, the Government will have to reconsider the scale of provision of grant.

## Local authority borrowing

(17) In addition, the Government will be prepared to use its powers of control over local authority borrowing, including access to the capital market, to reduce the capital requirements of particular local authorities if this proves necessary to offset any excess expenditure on pay settlements.

(18) The Government intend that the policy should be strictly applied to all public sector employees, by other public sector employers and boards, and by Government-owned companies. The Government will be discussing with the chairmen of nationalised industries and with the unions concerned how this will be achieved. Together these industries are responsible for pay settlements affecting about two million people.

(19) The Government will not not the bill for excessive settlements in the nationalised industries through subsidies, by permitting the Government to recover the excess costs to be loaded on the public through increased prices or charges. The existing arrangements for financial control and budgeting will be strengthened so as to ensure that no additional funds are made available to these industries in order to finance pay settlements in excess of the pay limit. The price control sanction described in paragraph 21 will apply to excessive pay settlements in the nationalised industries in the private sector. All this means that excessive pay settlements will affect employment in the industry concerned.

## Legal price controls

(20) The Government have no direct control over pay in the private sector. But there is a legal price control over most goods and services produced for the home market. Moreover, the Government purchase a substantial part of the output of some industries and use their purchasing power to secure large cash increases in the price of goods and services. It is clear and simple, most emphasizes the Government, that the gravity of the economic and industrial situation, and cuts through the complication of separate provisions for particular groups which, via comparability claims, have helped to weaken the previous policy. The Government therefore conclude that there should be a universal application of the figure of £5 per week. The TUC will oppose any settlement in excess of this figure.

(21) The General Council fully appreciate the problems which may arise from interfering with differentials based on skill and responsibility, and emphasize that this is a temporary policy put forward for the coming year to arrest the inflationary process, prevent massive unemployment and enable the Labour Government to carry out its industrial programme. It is certainly not envisaged as a permanent policy for continually eroding differentials either between or within negotiating groups.

(22) The policy will operate from the beginning of the next pay round, which is about 1 August. Those who have settlement dates before that date should continue to the existing guidelines. There should be no anticipation of the new settlement date by other groups.



Mr Foot, Secretary of State for Employment, and Mrs Williams, Secretary of State for Prices and Consumer Protection, at the press conference to launch the White Paper.

implemented between the date of this White Paper and August 1 in breach of the 12 month rule. The Government will require new legislation, will apply even if the employer is covered by one of the low profit safeguards in the price code. Similar arrangements will be applied to nationalized industries prices. A consultative document will be published on the consequential changes in the Price Code.

(23) From now on the Government, in handling applications for assistance under the Industry Act 1972, will interpret the national interests as including observance of the pay limit. It takes time for these costs to affect prices in the shops. Similarly if pay increases are slowed down it takes some time before price increases slow down also. Nevertheless, if pay increases do not slow down, there can never be a slowdown in price increases.

## Protecting the consumer

(24) Although the Government cannot freeze prices at this time they intend to take the following measures to keep price increases to a minimum and to protect the consumer.

(25) The Government will continue to enforce the price control enforced by the Price Commission under the Price Code. They will legislate in due course to extend the control powers beyond 31 March 1976, when price control would otherwise end under the existing law. The price control already ensures that a lower rate of increase in prices is reflected in a lower rate of price increase. However, particularly with present levels of unemployment, the Government do not intend to push the limit of price control to the point where it would endanger employment and investment.

(26) Legislation has therefore been proposed, through which, in particular cases, would make it illegal for the employer to exceed the pay limit. The Government will ask Parliament to apply this limit to the pay limit if the pay limit is endangered with resultant unfairness to the great majority of those who are presently concerned.

(27) The pay limit must be given effect in pay settlements and the effect of lower pay increases must be carried through to prices. On several grounds the Government need to know what is happening on pay settlements under the policy.

(28) The Government intend to undertake jointly with the TUC and CBI a regular review of developments in the pay limit in order to determine progress towards the objectives of this policy. For this purpose the parties will need to agree to be formed of the true facts on pay settlements. Information on pay settlements and intended settlements will be exchanged in given early warning of potential breaches of the pay limit and in some cases in enforcing the pay limit. The Government will therefore welcome the CBI arrangements for the collection of relevant information about pay settlements, and hope that they will be able to devise

## Early warning of breaches

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## TUC traces development of social contract

Extract from the TUC Document "The Development of the Social Contract"

(1) Adopting a flat rate approach, fixing the pay limit at 10 per cent would give £5 a week to all full time adults (aged 18 and above) pro rata for part-timers and juveniles) up to a cut-off point. A flat rate approach has the advantages of focusing increases on the low paid and preventing unduly large cash increases being obtained by the high paid. It is clear and simple, most emphasizes the Government, that the gravity of the economic and industrial situation, and cuts through the complication of separate provisions for particular groups which, via comparability claims, have helped to weaken the previous policy. The Government therefore conclude that there should be a universal application of the figure of £5 per week. The TUC will oppose any settlement in excess of this figure.

(2) The General Council fully appreciate the problems which may arise from interfering with differentials based on skill and responsibility, and emphasize that this is a temporary policy put forward for the coming year to arrest the inflationary process, prevent massive unemployment and enable the Labour Government to carry out its industrial programme. It is certainly not envisaged as a permanent policy for continually eroding differentials either between or within negotiating groups.

cannot be agreed, the Government intend to take action which will limit the price rises, such as extending the present three months interval between price increases.

(34) The present subsidy programme saves over 6p in the £ to the elderly and others on low incomes. The Chancellor of the Exchequer announced in the April Budget that it would be necessary to phase out the food subsidies over a period, starting early in 1976. As a contribution to protecting the living standards of low income families and pensioners during the period of the policy the Government propose to spend £70 million on food subsidies during 1976-77 that the amount envisaged in the April Budget.

(35) Local authority rents were frozen in 1974 and 1975, but increases are now in the pipeline because of pay increases and other inflationary pressures. For 1976-77 the Government propose to limit rent increases so that rents do not rise faster than prices generally. This will mean that the average rent increase next spring should be of the order of 60p per week rather than £1 a week or more. The Government will provide an extra £80 million to meet the cost of this.

(36) It has been necessary to make particularly steep increases in nationalized industry prices in 1974 and 1975, but increases are now in the pipeline because of pay increases and other inflationary pressures. For 1976-77 the Government propose to limit rent increases so that rents do not rise faster than prices generally. This will mean that the average rent increase next spring should be of the order of 60p per week rather than £1 a week or more. The Government will provide an extra £80 million to meet the cost of this.

(37) We must do all we can to keep down costs and prices which are within our own control. Some prices, like the cost of imported oil and raw materials, are not within our control however. A big increase in import prices will increase the cost of living and it would then take longer for this policy to achieve our inflation target.

## Bringing down unemployment

(38) The world is currently in the midst of a major depression and unemployment is high in all industrial countries. The Government are committed to bring the rate of unemployment down to a level of no more than 10 per cent by the end of next year. As the rate of inflation moderates and the economy begins to pick up, the expansion must be founded on adequate competitive rates of British firms. That expansion will be based on a sound basis of public or private consumption which leaves inadequate scope to increase investment and to improve the present deficit in our balance of payments.

(39) The Government are determined, in their planning for the medium term, to base the growth of the economy on a proper allocation of resources. As the CBI and the TUC have constantly stressed, we must increase the level of employment in the economy. Our standard of living is to be adequate in the future. The passing of the Industry Act will give the Government the resources to support the expansion in support of investment.

(40) The Government seek the support of the nation in breaking the inflation which threatens our economy. To measure the Government, the TUC and the CBI are taking are designed to last right through the next pay round until the end of next year. We have reached agreement on how to arrange our affairs so as to avoid a resurgence.

## Expansion of bank credit

(41) It will be important to ensure that in the period ahead the price targets which the Government have set are achieved. The Government will continue to exercise control over the expansion of bank credit. The Government have substantially reduced the growth of the money supply in the past year and a half. They will continue to use the full range of instruments available to them to keep the growth of the money supply under control. At the same time they will, through the Bank of England's guidance to the banking system, as we have reached agreement on how to arrange our affairs so as to avoid a resurgence.

## Opportunities for training

(42) Success in reducing the rate of unemployment will itself improve employment opportunities for young people, promoting investment and increasing export competitiveness. The Government share the views expressed by the Labour Party in the Development of the Social Contract on the need for action to create new jobs. The Government will continue to support the efforts of the current Labour Government to create new jobs. The Government will continue to support the efforts of the current Labour Government to create new jobs.

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## Government likely to restrict MPs' wage rise to £2,000

By Roger Berthoud

After the announcement of the Government's pay curbs, MPs are resigning to accept a lower salary, which would be £2,000 a year, when the Government announces its decision on the Boyle report, which is believed to have recommended nearer £4,000 extra.

The decision will probably be announced on Monday. Backbenchers' pay has remained since January 1, 1972, at £4,500, plus allowances up to a maximum of £3,000.

In the present political climate they will have to accept a lower figure, which would represent an increase of roughly 10 per cent a year.

"I think we will swallow it," Mr Eric Ogden, Labour MP for Liverpool, West Derby, said. He describes himself as "acting shop steward" to the move to a wage increase for MPs. "We should take it for 12 months. Then let us look at how we move in an orderly and proper fashion to the full implementation of the Boyle report."

Consideration of MPs' pay is complicated by the question whether they should be paid if being a member were their only source of income when for many, including lawyers, journalists and businessmen, it is not.

At the time of the last increase, half the backbenchers were believed to rely on their parliamentary pay alone. An increase of £2,000 would still leave them relatively low paid compared with other occupations, as the results of an informal survey show.

For jobs in which age is a factor, the income is the nearest available approximation to that of a bright Oxford graduate aged 40. The result, taking into account other occupations, and using London as the geographic base, is as follows:

Doctor (GP)	£8,500
national average	£5,500
Hospital senior registrar/consultant (Fleet Street)	£5,000-£8,500
Civil servant (home)	£9,000-£12,000
Teacher (department head, in comprehensive)	£4,000-£5,000
Solicitor (GLC)	£7,000-£10,000
Executive in big international company	£8,000-£11,000
Miner (coalface)	£3,300
Assembly worker	£2,300-£4,200
Linen operator (Fleet Street)	£5,700-£8,850
Refuse collector	£2,444

Doctors want meeting with Mrs Castle on pay curb

From Our Medical Reporter Leeds

The £8,500 cut-off for pay increases will affect all but a few of Britain's 23,000 general practitioners. Most of the 1,000 consultants and many senior registrars.

The annual representative meeting of the British Medical Association at Leeds was suspended yesterday for Mr Walpole Lewis, the Chairman of Council, to speak.

He said that the profession would seek a very early meeting with Mrs Castle, Secretary of State for Social Services, to discuss the White Paper's implications for the health service, and to clarify the position of junior and medical teachers, who have pay claims outstanding.

Doctors are concerned with all other higher-paid groups, had made sacrifices in their standard of living in the past three years as a result of successive

## Civil servants want to keep career structure system

By Peter Hennessy

Civil Service trade unions reluctantly accepted the pay policy yesterday, but the staff side of the National Whitley Council is expected to ask Lord Shepherd, the Lord Privy Seal, for assurances that the career structure system of annual pay rises will not be affected.

The staff side, concerned by the Government's suspension of the pay research system, based on fair comparison with the private sector, will press for a guarantee that it will be restored when the new policy ends on August 1, 1976.

The Civil Service Department said yesterday that the incremental scales would not be affected. The overall pay bill would not increase, because elderly, highly paid civil servants who retired were replaced by younger, lower-paid officials. The increments would not, therefore, conflict with the new guidelines.

## Senior officers may lose rises but not Service doctors

By Henry Stanhope

Defence Correspondent

Service doctors and dentists awaiting news of their next rise are unlikely to be affected by the curbs on incomes. But lieutenant-generals, vice-admirals, air marshals and above should not be so lucky. That was the general feeling in Whitehall last night, pending clarification of the White Paper.

Medical Officers' salaries escape because their increase is officially part of the general Services award already accepted by the Government, and backdated to April 1. Their pay is always settled after the others because it has to be linked to

MPs would find a relatively low salary easier to accept if allowances were adequate. The maximum rate for secretarial help is £1,750, of which £500 may be used for a researcher. A further £1,050 is allowed for living in London when a home elsewhere is maintained. Travel to and from the constituency is also paid, and there is a mileage allowance of 7.7p, well below normal business or Civil Service levels.

Although it is hard to quantify every additional cost of being an MP (against, say, being a miner, as in Mr Ogden's case) it is widely felt that the allowances are inadequate. Among those feeling the pinch is Mr Michael Thomas, aged 31, Labour MP for Newcastle upon Tyne, East, since October, 1974.

He reckons his living expenses in London, where he shares a flat in Chiswick, amount to £1,500 a year, while his foothold in Newcastle costs between £750 and £1,000. He cannot afford to keep a car at either end, and can claim only the mileage allowance for the taxi he has to take home after late-night sittings and for hiring a car for weekend constituency work.

It is impossible, he says, to maintain a full-time secretary and cover costs on £1,750 a year in London. "So I use a part-time lady who used to be Herbert Morrison's personal assistant, while I could use a full-time secretary, at least a part-time researcher, and some sort of caseworker in my constituency, to really effective and efficient."

He gains no extra pay as parliamentary private secretary to Mr Roy Hattersley, Minister of State for Foreign and Commonwealth Affairs, and finds himself dealing with vastly more highly paid junior civil servants.

To pay MPs badly is, he believes, corrupting. It makes them vulnerable to outside inducements (like "consultancies") and encourages unwarranted claims on allowances.

As one of Newcastle's MPs, Mr Thomas has taken a keen interest in the Poulson case. It's central lesson was that there would be no money in the Poulson case. He would do almost anything for a decent lunch and a weekend in Scarborough, he says.

statutory incomes policies. They had been badly hit by increased taxation and higher national insurance contributions.

They are bound to feel that their new measures reflect a further discrimination, he said. The proposals had to be examined in the context of a health service seriously under-financed and short of 1,500 general practitioners and a large number of consultants.

He foresaw no rises in the next year for all consultants and for consultants' community physicians above the second incremental grade. It was extremely difficult for GPs. The cut-off, if based on average net income, meant that most would get no increase.

Many earning well below the average (£2,485 plus £250 for contractual services if agreed) would be affected. A curious differential would be introduced, which would have to be closely examined.

The £6 limit applies to about 500,000 officials in non-industrial grades and 183,000 in industrial grades. About 6,700 senior officials are affected by the £8,500 limit. The operation of the Top Salary Review Body, which determines pay for officials at under secretary rank and above, has been suspended. Permanent and deputy secretaries, due for a deferred part of their last award of January 1, 1976, will receive nothing.

Mr Norman Ellis, general secretary of the Association of First Division Civil Servants, regretted that the £6 a week would not go to those earning above £5,500. Mr Terry Gillman, general secretary of the Society of Civil Servants, said: "The White Paper does not say enough about the policing of perks in private industry."

Senior officers may lose rises but not Service doctors

By Henry Stanhope

Defence Correspondent

Service doctors and dentists awaiting news of their next rise are unlikely to be affected by the curbs on incomes. But lieutenant-generals, vice-admirals, air marshals and above should not be so lucky. That was the general feeling in Whitehall last night, pending clarification of the White Paper.

Medical Officers' salaries escape because their increase is officially part of the general Services award already accepted by the Government, and backdated to April 1. Their pay is always settled after the others because it has to be linked to

rates for civilian doctors and dentists.

Their last increase, announced last September, was backdated to April 1, 1974. Any decision to curb their new award could embarrass the Army, which is always short of doctors.

All senior ranks, including those equivalent to major-general and above, are considered separately by the Top Salaries Review Body, with senior civil servants and other public servants.

The feeling in Whitehall last night was that this second stage of their award will be lost under the Government rule cutting off increases to those earning more than £8,500.





















## A PLAN TO SAVE THE COUNTRY

This is a plan to save our country. If we do not over the next twelve months achieve a drastic reduction in the present inflation rate, the British people will be engulfed in a general economic catastrophe of incalculable proportions.

One reads this passage in Mr Wilson's statement with mixed feelings. It is exactly the warning, almost exactly the terms, which the Times has been giving for a considerable time past and with a growing sense of urgency during the present administration. It is good to have the danger of the situation formally and fully recognized by the Prime Minister, but then what attitude should one take towards Mr Wilson? Should one emphasize his responsibility or having brought the British people to the brink of "a general economic catastrophe of incalculable proportions"? Mrs Thatcher, in a moderate and sensible response, not surprisingly pointed to Mr Wilson's failures. Should one, on the other hand, concern oneself simply with the national need and, even for what might seem the unpromising time, decide to let bygones be bygones?

Perhaps there should be a bargain about this. The rest of us will support the new Mr Wilson, and play down our memories of the old Mr Wilson, if only he will give up the pretence that he is simply maintaining a consistent course of policy. When yesterday the Prime Minister said to Mr Heffer: "I totally disagree where you say that what we have done is contrary to what was put before the country in the manifesto", he was not only asserting a brazen untruth, he was also making it impossible for the rest of us, even by the greatest effort of will, to offer a voluntary suspension of our disbelief. Only if there is some sign of the Prime Minister's willingness to understand where he has gone wrong—and he is only in a lower because he opposed Mr Heath doing what he is himself doing now—can we suppose that he will not act with equal irresponsibility again in the future.

Nevertheless, the Government's policy is to fight this great inflation, and this Government is the only one we have at present. The policy does represent a necessary sacrifice of political popularity, though the cost in popularity had the Government allowed the inflation to continue would have been far more severe. It also represents a difficult acceptance of wage control by the trade unions—though by only just over half of them. One should not underestimate how difficult it is for the Labour Party or for the TUC to enter once again into compulsory incomes control.

Such control is at present necessary and right; this attack on inflation, whatever reservations one may have about par-

ticular details in it, deserves to be and generally will be supported. This is not because the basic cause of inflation lies in the trade unions rather than in the creation of money. An excessive increase in the money supply is the necessary and invariable condition of inflation at all times; in all countries when there has been an excessive increase in the money supply, inflation has occurred, with or without the benefit of trade unions. Inflation has never occurred, except in conditions of economic collapse, without a preceding increase in the money supply.

Yet the development of monopoly trade unions, and particularly their power in the public sector, presents government with a dilemma. If unions exert their monopoly power, they can raise their own members' wages beyond any increase that can be justified by productivity. The government is then left with a choice between financing these wage increases by an inflationary creation of money, or refusing to finance them and facing the consequential rise in unemployment. The fact that every government since 1959 has come to power opposed to an official incomes policy, and that every government has adopted one, strongly suggests that governments have no real choice. The existence of a monopoly supply of labour demands some control of the prices that are set, just as in the nineteenth century the existence of a railway monopoly demanded some control of the prices charged by the railways.

The essential condition is that the supply of money should not be increased in the mistaken belief that a compulsory incomes policy is a substitute for a sound policy on money. The White Paper is not strikingly clear on this point, and this though a pity it is understandable. It is difficult enough for the Government to adopt a compulsory incomes policy without having to declare at the same time that they are going to continue a cautious and limited monetary and fiscal policy. Our reading of the White Paper would be that the Chancellor has every intention of continuing to cut government expenditure; of course government expenditure will be substantially relieved by the limit on wage increases in the public sector. Cash limits will also greatly improve the short term control of expenditure.

From the industrial point of view the policy is unsatisfactory in a number of ways. It puts the onus disproportionately on the employer rather than on the trade union. When the Prime Minister says: "If there are any who seek to abuse a system based on consensus and consent, or to cheat by any means, the Government will not hesitate to apply legal powers of compulsion against the employers concerned, to ensure compliance", he conjures up an extraordinary pic-

ture. We are invited to think of all these wicked, exploiting employers who try by cheating to slip extra money into the workers' pay packets while the honest and upright trade unions express their indignation and horror at such unsocial behaviour. The Prime Minister would strengthen his own position if he could align his rhetoric with common sense.

The fixed rate increase with a limit on £5,000, which will apparently cut out a high proportion of the medical profession, is also going to be a cause of discontent in industry. The last two or three years have been rough years for most professional and managerial people, while the trade unions have been improving real wages rapidly. The salaries paid to British industrial managers are much lower than those in most comparable countries; we shall not benefit by depriving them of even the small percentage increase which would be represented by the £5 a week standard. An incomes policy should not be a class policy directed as an attack on the middle class. Industry will also be concerned at the inability to negotiate genuine productivity agreements, though these have provided a loophole in the past.

Still, middle class or industrial resentment is not what is going to threaten the programme, though it will at some point be threatened by the natural tendency to reassess the differentials which are now going to be eroded. The real question, and it is still an open question, is whether the militants in the unions are going to accept the policy or not, and whether they are strong enough to break it. The TUC accepted it by a narrow margin, and the expectation is that the trade union annual conference will also accept it, perhaps again by a narrow margin. Yet the militant position in the trade unions remains very strong and is supported by a strong Left Wing group in the Parliamentary Labour Party.

Our first estimate would be that the policy will work this time, though Mr Healey will find it difficult to repeat because it starts from a worse situation than previous compulsory policies. The inflation is much higher and the willingness to accept such a policy is less. Given that we are moving into recession and that we have had good, if not perfect, control of the money supply for the last eighteen months, the rate of inflation should be brought under control by the end of this year and for the first half of next year. The strains that this process will impose in the trade union movement and on the Labour Party will be very great. One has to recognize, and put in the Prime Minister's favour, that he is accepting these strains in serving what both he and Mr Healey know to be an essential national interest.

In their proper place: in opposition to the revolutionary process, excluding them from power and ensuring the ascendancy of the communists. But Dr Soares has gambled otherwise. He knows that whoever is in power must make harsh economic decisions very soon. The Armed Forces will not want to be too closely identified with these decisions for the 28 men of the Supreme Revolutionary Council are still men who desperately want to be the heroes of the revolution, even if political ambition is beginning to blunt this need to be loved. Their periodic moves further left can be seen as attempts to remain the idols of the workers. The Armed Forces do not want to be too closely identified with the communists, which they will be if they rule in sole conjunction with them. For their part the communists have no qualms about taking a hard line with the workers if it suits them. And the more responsible members of the Revolutionary Council would welcome the political parties in their ranks if only because the onus of carrying out unpleasant austerity measures could conveniently be placed on them, the elected representatives of the people.

The Socialists and the PPD are therefore in a fairly strong position to force the issue, and insist on real power in return for real responsibility. Today the Confederation of Portuguese Industry is drawing up a final plan for saving the economy; if this is not accepted, they will wash their hands of further responsibility. The non-communist parties are issuing a similar challenge in the political field.

## Accountability of MPs

From Lord Pannell  
Sir, Mr Frank Allam and Miss Joan Maynard have written to *The Times* to tell outsiders to keep out of judgment on the case of Mr Pannell and advised his local Labour Party to resist all such blandishments (July 8).

If the case goes against Mr Pannell his only appeal could be the National Executive Committee of which Mr Allam and Miss Maynard are both members.

What fairness or impartial judgment can he expect in view of the bias shown by two NEC members? Not much it seems to me.

Yours, etc.  
CHARLES PANNELL,  
House of Lords,  
July 10.

From Mr W. D. Fitzgerald  
Sir, I am writing in response to the letter of Mr Frank Allam, MP and others in regard to the proposed rejection by Newham North East Labour Party of Mr Reg Prentice the local member.

I speak as an executive member of a constituency Labour Party with a certain knowledge of the working of local Labour Party organization and, while holding no particular brief for Mr Prentice, feel that it is so easy for a general manager to be controlled by the activists who in so many cases are inclined to be left wing and such a person as Mr Prentice is liable to be at risk.

A member of the Cabinet who does not transgress actual government policy is surely entitled to some protection and the onus in these cases should be for the constituency party to actually prove that a member has definitely violated both Government and Labour Party policy. If this process continued then no member of the Cabinet could necessarily be safe from constituency rejection if his constituency organization management committee became dominated by the member's opponents. In the long term no Cabinet member can govern effectively in the name of this country unless he can feel confidence that he has the full support of his constituency organization.

Yours sincerely,  
W. D. FITZGERALD,  
4 Ventnor House,  
Dorchester,  
July 8.

## Squatters and the law

From Mr J. C. Harper  
Sir, It is not before time that attention was drawn to the unhelpful attitude of the police in cases involving squatting.

There would appear to be three reasons for this. Firstly, there is the understandable reluctance to get involved in the vilification in the underground and popular press if they adopt a more interventionist attitude. Secondly, at least prior to the McPhail case there was a respectable body of opinion to the effect that such evictions from dwelling houses contravened the Statute of Forcible Entry 1381 and thereby it may on occasion be difficult for a police officer to decide on the spot whether the person requesting the eviction is actually the owner of the house in question. This is particularly the case where a property has been left unoccupied for some time.

In the circumstances a practical (though not legally justified) solution might be for the police to distinguish between houses which were clearly occupied (prior to the alleged entry by squatters) by the person requesting the eviction and those which have been unoccupied. This would at any rate be a partial solution to the problem.

Whether or not it is acceptable, it is clearly wrong for the police to maintain that they cannot lawfully evict trespassers whilst turning a blind eye when privately hired security guards have done just that.

Furthermore where will the line be drawn as to become the case that the police will evict or arrest burglars when summoned by the householder but will plead inability to help when the alleged burglar says he has come to stay? This cannot be right but would seem to follow logically from the horrifying tale told by Miss Elizabeth Harper (*The Times*, July 11).

Yours faithfully,  
J. C. HARPER,  
2 Paper Buildings,  
Temple, EC4,  
July 11.

## How the other half works

From Mr Keith Edmeades  
Sir, Chief Constable John Alderson is to be commended for his novel experiment in going on the beat as a one-day refresher course, as reported in *The Times* today.

What a fine example he has set for the rest of us. Can you imagine the benefits which would accrue to industrial relations if his example were to be followed throughout the country? If the top executive of every organization whether large or small, private, public or state-owned, were to spend one day learning at first hand of the conditions and day-to-day frustrations of their men on the job, I submit that the nation would move a lot closer towards industrial harmony than it ever could by our perpetual haggling over statutory wage limits.

Yours truly,  
KEITH EDMEADES,  
30 Pensford Avenue,  
New, Richmond, Surrey,  
July 9.

## Left-handed

From Brigadier R. L. Allen  
Sir, All violinists?  
Yours faithfully,  
R. L. ALLEN,  
Thorn Knoll,  
Broadwater Lane,  
Aston, near Stevenage,  
Hertfordshire,  
July 8.

## Pay limits and higher income groups

From the General Secretary of the Electrical Power Engineers' Association  
Sir, Some of the attitudes now surfacing about people on relatively high rates of pay are disturbing.

There was recently the lamentably argued evidence of the General Council of the TUC to the Royal Commission on the Distribution of Incomes and Wealth, suggesting an upper limit of £20,000; referees are made to public servants, professional workers and others who earn comparatively high incomes for the work they do as if they are bordering on the indecent. It was a matter of particular regret (because uncharacteristic, I may say, that even Len Murray in a speech the other day should have bracketed together managers and professional people with "the genus in grey toppers whose main occupation seems to be guzzling champagne at Ascot").

There is the reported view of the General Council that no one who earns more than £7,000 a year should receive any increase in the next 12 months—although the logic of the case for a flat rate for everyone is based on the argument that everyone's cost of living goes up equally.

Logic and rationality seem to be going out of the window. This is shown by attitudes taken towards the pay of MPs. They have had no increase since 1972, when their salaries were set at £4,500 pa. Since then inflation has certainly cut the real value of that figure by one-third.

Of course their pay should have been adjusted annually like everyone else. The fact, however, they have suffered substantially because this commonsense approach has not been applied is now being used as an argument for the real value of their pay to be cut permanently—simply because the size of the requisite increase now needed is too great for some of the self-appointed leaders of public opinion to stomach.

The fact that it is important that people of ability in all occupations, and particularly working people in both the so-called working and middle classes, should be able to become MPs and carry out their job, which is a full-time one, effectively without imperilling themselves and their families is apparently thought of no consequence whatever in the present climate.

Then again, last Saturday, you carried an article by George Hutchison rebuking Lord Boyle for recommending increases of 30 per cent or more for the top 10 per cent of the top 10 per cent of nationalized industries. He also chose to overlook that their pay has not been reviewed for five years and that the proposed increases did no more, except in one or two cases, than restore the original purchasing power to the salaries of these posts.

Although of course the incidence of higher taxation substantially depressed the effect of that. Those occupying top posts in nationalized industry are still without the increase recommended by Lord Boyle at the end of last year.

The pay of "top people" is an easy target, but what we are really

witnessing is an onslaught on the concept that pay should be related to responsibility, even at the higher levels, and on the concept that the country's economic performance depends (as I believe it does) to an important degree on able people with scarce skills being rewarded for the contribution they make.

There are elements in this campaign which smack of populism. It certainly bears no relationship to the needs of our economy, to put it no more mildly.

Of course, everyone must participate in any restraint of incomes (except that the very low paid should be specially protected) which is agreed or imposed in the period ahead. That is not at issue. But I believe that those who are owed increases from arbitration awards (for university lecturers, or by virtue of special inquiries which have already reported (eg, the Boyle Committee in respect of MPs, and top posts in nationalized industries) should receive their increases, as has virtually everyone else in employment over the past year. Then, after the period of austerity has ended I would expect to see a saner approach to pay at these levels from all concerned.

Yours sincerely,  
JOHN LYONS,  
Station House,  
Fox Lane North,  
Chertsey, Surrey,  
July 9.

## The middle majority

From Mr C. Austin Barnes  
Sir, May I congratulate your newspaper on today's (July 8) leading article which deals with the social structure of the nation? It is a sad reflection on our politicians that they try to polarize the social classes for their own gain rather than recognizing and exploiting the consensus that exists. The present political incumbents are the most guilty and it is only now that they are impotent to meet the crisis that faces us that the Prime Minister has rediscovered the word "consensus" as heard in his speech to the miners.

How long can this charade continue when every indicator shows conclusively that the "middle majority" exists? Surely even the most ardent supporters of the left must realize that workers, whether artisan, clerk, executive or professional all anticipate future membership of the "middle class", or, in modern idiom the affluent society?

Opinion field research studies all confirm this yet our so-called leaders refuse to recognize it. Surely the party that goes to the country on electoral reform must gain the support of this mass majority of sane, reasonable, hardworking people. Congratulations on pin-pointing the situation so accurately.

Yours faithfully,  
C. AUSTIN BARNES, Chairman,  
Roya Midland Ltd,  
Rank House,  
Cherry Street,  
Birmingham,  
July 8.

## Miscalculation in Post Office deficit

From Mr Alan Rayner  
Sir, Without any warning we are once again faced with "proposed" astronomical increases in charges for Post Office Corporation services. This, as everyone knows, being only a few months after the last substantial increase.

What particularly concerns me as a practising accountant, in this proposal, is not the very fact of the inflation to which we have now become accustomed, but the extraordinary admission by Sir William Ryland when interviewed for BBC television news on Wednesday, July 9, that the effects of inflation on the Post Office Corporation deficit had been "miscalculated".

The figures given in that interview for the projected deficit for the Corporation for the year 1975/76 of £50,000,000 when the last increase was put forward. They now say, as a justification for the new proposed charges, that the deficit will be £240,000,000.

Does Sir William Ryland really expect the intelligent public to be satisfied with an organization such as his that can "miscalculate" by £240,000,000 within the space of a few short months?

If any of my clients either ran their businesses or were advised by me to run their businesses in an apparently similar inept fashion,

then I would have no practice, and most of my clients would become clients of the Official Receiver in Bankruptcy. I really believe that before such increases are accepted, the public is entitled to know what kind and calibre of "brains" are calculating and controlling the budgets of one of our large public corporations.

Yours faithfully,  
ALAN RAYNER,  
Central House,  
Upper Woburn Place, WC1,  
July 10.

From Dr Vincent Powell-Smith  
Sir, Wishing to send £4.50 to a book-seller in Canada, I asked my secretary to purchase an international money order for this amount. Imagine her surprise—and mine—on being told that the poundage was £2.00!

This happened yesterday, before the proposals for further postal increases were announced. How much will it cost to send £4.50 abroad if the new charges are applied?

Perhaps the postal fee is designed to deter people from transacting business abroad.

Yours faithfully,  
VINCENT POWELL-SMITH,  
141 London Road,  
Leicester.

## Arabs and Jerusalem

From the Jordanian Ambassador  
Sir, Mr David Jacobs in his letter on Jerusalem (July 8) seems to have distorted history to an extent that calls for correction.

In 1948 the Jordanian Armed Forces entered Jerusalem to defend the Palestinian Arab majority of the inhabitants of the city within the municipal boundaries as fixed under the British Mandate, who were fighting desperately against continued attacks by Zionist aggression, which forced tens of thousands of Christians and Muslims Arabs out of their homes and into the defended sector of the city.

The truce of 1948, divided the city into two and the vast majority of Jerusalem Arabs lost their homes and property when they were expelled by force. It is the Jews of Jerusalem and not the Arabs who were expelled and forced out. The Jewish inhabitants of the Jewish quarter in the old city were evacuated on the request of the Zionist Jewish Agency as part of the surrender terms.

If "Jerusalem was never an Arab capital", it has never been a Jewish capital either, due to the fact that there never was "a recognized national Jewish state" before the creation of "Israel" in Palestine in 1948. "As for it being the first holy city of Judaism, but only the third holy city of Islam" it seems futile to base an argument on the legitimacy of claim of sovereignty on the degree of holiness, this city depicts for a certain religion rather than another.

Jerusalem is holy to all the religions and will remain the spiritual

capital of all Christians and Moslems as well, and not exclusively to the Jews. It is this exclusiveness which the Arabs are fighting against in order to avoid making Herzl's promise to Zionism and threat to the world come true, when he said at the first Zionist conference in 1897:

"If I should one day acquire Jerusalem and I am still alive, I shall remove from the city everything that is not holy to the Jews and I shall destroy the relics that have been there for centuries."

Yours sincerely,  
MA'AN ABU NOWAR,  
Ambassador,  
Embassy of the Hashemite Kingdom of Jordan,  
6 Upper Phillimore Gardens, W8,  
July 8.

## Fodder from road verges

From Mr J. M. Walker  
Sir, This summer I note that grass on roadside verges is being cropped to provide fodder. In principle this is an excellent idea, but in view of the possible levels of load from motor vehicle exhausts I wonder if the practice is indeed sensible. Further, can I assume that verges sprayed with herbicide are not sufficiently productive to be cropped?

Yours faithfully,  
J. M. WALKER,  
4 Waterside Walk West,  
Rogersstone,  
Newport,  
Gwent,  
July 7.

## Political diary reservations

From Mr David Butler  
Sir, Professor Hayward's letter (July 9) does not reflect the views of every member of the Political Studies Association. All too often the arguments in defence of full publication of the Crossman Diaries are put in absolute terms.

Those who have reservations are, moreover, reluctant to express them lest they seem to defend the indefensible—the excessive secrecy practised in the past and the arbitrary distinction between Mr Crossman's revelations and those of other political diarists and autobiographers (it is hard not to feel uneasy when the decision on what Cabinet leaks are to be referred to the House is left in the hands of those in power, whether it be the Attorney-General or the Secretary to the Cabinet or the Government as a whole).

Surely few proponents of full publication really want to carry their lust to its extreme, the televising of cabinet meetings and the freeing of Ministers and civil servants from any bar to the immediate disclosure of everything they write and say to each other. The challenge, therefore, is to define the proper limits of openness.

In some areas those who govern us might behave more constructively and efficiently if their lightest word were liable to instant publication, but in others their decision-making would be gravely inhibited. Moreover, if the insider information that comes their way is regarded as a salable commodity, considerations quite extraneous to the public interest may shape their conduct.

Open government and efficient government are both desirable goals. The real difficulties lie in where the line should be drawn and how it should be policed. They are not easily resolved. As a teacher of politics and contemporary history I rejoice at the insights offered by the Crossman diaries, but as a citizen, I doubt I should be better governed if all my masters, whether politicians or civil servants, were unthinkingly to exercise the freedoms of a Crossman—and still more if, the current precedent established, they were to do so without even the excision of civil servants' names and with the ever shorter time between event and publication.

Yours,  
DAVID BUTLER,  
Nuffield College,  
Oxford.

From Mr Colin Holmes  
Sir, The issues raised by the Crossman Diaries are not diminished by a degree of secrecy over official material which, for instance, in the area of foreign affairs has already worked to its disadvantage in the sense that those countries in which there is more open access have been able to take the lead in formulating their own version of world development. It ought also to be realized that in some respects less information is now available for British public consumption than it was in the nineteenth century. This helps to rebut the assertion that efforts to obtain more immediate access to material are misconceived.

First, the country already operates at a degree of secrecy over official material which, for instance, in the area of foreign affairs has already worked to its disadvantage in the sense that those countries in which there is more open access have been able to take the lead in formulating their own version of world development. It ought also to be realized that in some respects less information is now available for British public consumption than it was in the nineteenth century. This helps to rebut the assertion that efforts to obtain more immediate access to material are misconceived.

On the second matter, I do not know whether or not Crossman was an unreliable commentator. In any case, it is not a crucial issue in the debate: one man's unreliability is not an argument against the principle of greater access to public records.

On the final point, I am sure that the mischievous or misguided lawyers and journalists will be able to reply on their own behalf. But these are not the only professional groups interested in the present debate. Access to public records is also of vital interest to historians. For some time powerful opinions have been expressed about the desirability of reducing the period in which records become available for scrutiny.

Such views were strongly expressed in *The Times* in the course of 1962 and have been reiterated elsewhere. Hence then by responsible senior historians of widely different ideologies. Their intention has been to ensure an informed debate on matters of public importance and to provide contemporary historians with the tools of their trade. This element of public interest ought also to be considered.

Yours truly,  
COLIN HOLMES,  
Senior Lecturer,  
University of Sheffield.

## Unbeatable value

From Mr Gyles Brandreth  
Sir, Mr Dobell is quite right that 2p is a tour de force. But Mr Maza is a wonderful value, but quite wrong to suggest that such good value can't be bettered. On Sunday afternoon I spent an hour visiting the Wallace Collection and another hour listening to the band in Regent's Park. Total cost: nil. Now that's what I call real value.

Yours faithfully,  
GYLES BRANDRETH,  
170 Clarence Gate Gardens, NW1

## After Wimbledon

From Mrs Joan Rider  
Sir, The behind-the-scenes organization must be perfect. Can Captain Mike Gibson now take charge of the country's economy?

Yours faithfully,  
JOAN RIDER,  
Cedar Cottage,  
The Glade,  
Crapstone,  
Yelverton, Devon.

## Inflation in China

From the Rev T. Alwyn Jones  
Sir, I suggest that those who imagine that inflation is no great danger to the country should ponder on what happened some 30 years ago in China.

In 1939 100 Chinese dollars would buy two cows. In 1941 they would buy one calf; by 1942, one chicken; by 1944, one egg; in 1946, a box of matches. In 1947 the official rate was 12,000 Chinese dollars to one American dollar; the open rate was 72,500 to one, and in the black market they were 160,000 to one. In Shanghai nylon stockings were

seen priced at 49,000 dollars a pair. Yours faithfully,  
T. ALWYN JONES,  
Merrymead,  
Lymford Way,  
Winchester.

## Male and female roles

From Dr M. J. F. Courtenay  
Sir, Without wishing to join in the general debate on the ordination of women in the Anglican church, as a general practitioner I must contest the point made in Mr Cuff's letter (July 9) that women are

unable to function in the role of father.

In a really deep and informed consideration of the psychological factors I think many of my male colleagues would support my contention that it is common for a GP to function in a mother-role, irrespective of the apparent inappropriateness of our gender.

Yours faithfully,  
MICHAEL COURTENAY,  
Senior Medical Adviser to the Advisory Council of the Church's Ministry,  
76 Lyford Road,  
Wandsworth Common, SW18.







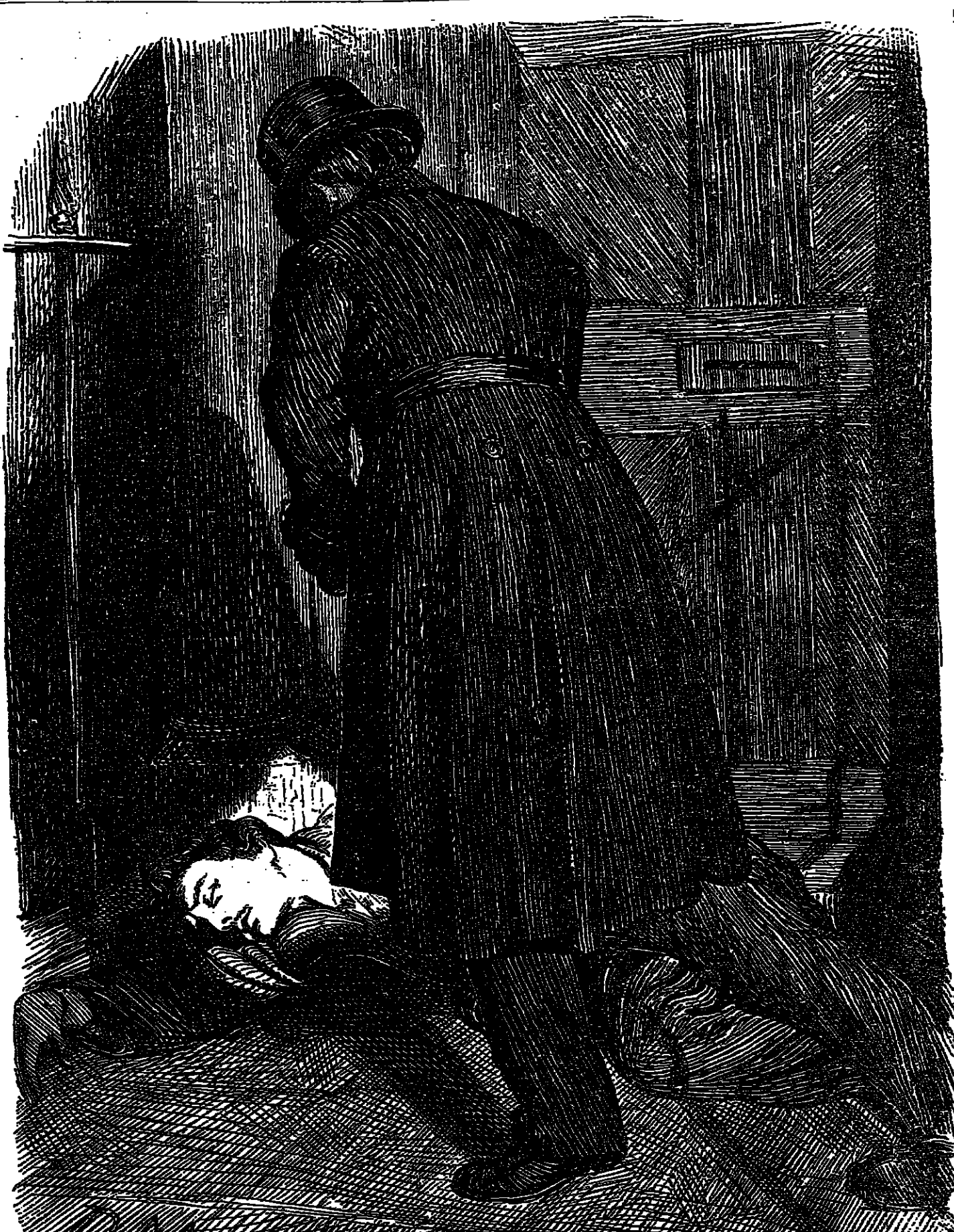
AYLOR  
adcaster

ATURDAY JULY 12 1975

THE TIMES  
SATURDAY REVIEW

# The first detective novel

by Julian Symons



THE NOTTING HILL MYSTERY.

AN ILLUSTRATION FOR  
THE NOTTING HILL MYSTERY IN  
ONCE A WEEK IN 1862.

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The question is, where do you stop? Anybody setting out to collect the 600 odd works of John Creasey—and since he published posthumously, I suppose numbered like 800 may be reached—would have little room in his library for any other prolific author. I remember once urging Creasey to cut down his output. "I try," he replied soberly and sincerely. "I do try to keep myself down to 12 books a year, but I can't do it. I find myself writing 14." Creasey, the whole literary bulk of him, might I suppose count as a curiosity, and so certainly would the pseudonymous works of the Scottish poet Ruthven Todd.

In 1945 Todd wrote with more than Creaseyan speed 10 detective stories in six months under the name of R. C. Camp, to pay off his debts. But he was really 10, did he write 10 books or 12, were 10 published or eight? *Death is not Particular*, *Death is not Particular*, *No Man Lives For Ever* and *The Hungry Worms* were announced, were they but did they appear, were they written? The publisher, John Westhouse, is long since defunct, and the BM catalogue is unhelpful. When I wrote to Ruthven he said that these four books were "probably written

but not published." I like that. The note of uncertainty is very much in the crime story's tradition. Anybody who has one of these books certainly possesses a rarity.

The London Library is a splendid place for the browser into ephemeral fiction published before World War II. After that date lack of space, or money, or of both has greatly limited their buying of novels, and particularly (as it seems to me) of crime stories.

Picking books more or less idly off the shelves in my customary way, looking into them for five minutes and putting them back, I came across an extraordinary work called *Sudden Death*: or, *My Lady the Wolf*, written by B. C. Skotrowe and published in 1896. One of the best recommended guides did tell me something about the work of Bridgford Constable Skotrowe, who was a historian of sorts, and wrote also a couple of textbooks. A schoolmaster perhaps, or a snuffy don, dreaming of sexual worlds beyond his reach?

"Sudden Death", apparently his only work of fiction, suggests that this might be so. It is the first crime story with a transvestite theme. Its murderous hero/heroine is the dashing Gordon Leigh, who has beautiful eyes, small white hands, a slender figure, and altogether "something irresistibly attractive, almost fascinating" about him. The narrator, like most men, feels "strangely drawn to him from the very first." In his feminine incarnation Gordon is the wicked Astarte, "or Miladi! Her double identity is plain to the reader (perhaps I should say to the modern reader) long before it is revealed in the last chapter to the bone-headed narrator to three murders, and says that she dressed generally as a man "because I liked it better and it seemed to come more natural to me". As an unconscious case history—for there is no overt sexual ambiguity—the book is fascinating.

Curiosities abound in the field of detection. I am sure the London Library alone has more than other than the things I have casually discovered, and if the amateur collector is not attracted by the thought of being surrounded by Creasey under his 24 different names, there are plenty of other possibilities.

You might try collecting the books in the Haycraft-Queen series, which I have already mentioned, or those in my own selection of the Hundred Best Crime Stories. A more limited field would be the murder dossiers composed by Dennis Wheatley, with the help of I. G. Links, in the Thirties. These artefacts with their photographs of characters and scenes, and their real clues of hair, matches, and pills contained in transparent envelopes, are undoubtedly curiosities. There are four Wheatley/Links dossiers and the fourth, *Here with the Clues*, is a fourth. *Here with the Clues* is a complete flop. In America they were paid the compliment of imitation, again without repeating the success of the first dossier, *Murder off Miami*, in Britain.

It would be possible to collect crime comic strips. A correspondent wrote to me the other day, excited by the discovery of a 1934 strip called *Secret Agent X-9*, drawn by "the then top comic strip artist, Alex Raymond", and written by Dashiell Hammett. Making a collection of crime short stories published in book form might also be a financially rewarding, as well as a pleasurable, enterprise.

According to Ellery Queen no more than 1,500 volumes of short stories had been published up to 1950, although this number has perhaps doubled in the last quarter of a century. They include such rarities as R. Austin Freeman's first book, *The Adventures of Ellery Queen* (written in collaboration with a medical friend and published under the name of Clifford Ashdown), of which only six copies are known to exist in the first edition, George R. Sims's *Dorcas Dene, Detective* (1897), and books that few people on this side of the Atlantic have seen, like Percival Pollard's *Lingo Dan* (1903), of which the author wrote that although he did not expect the success of Sherlock Holmes or Raffles, his book was "at least one thing the others are not: American".

Few modern short story collections are rare, and most can be picked up cheaply.

My own fancy, which I have indulged only casually, would be for collecting parodies. There are not many good parodies of crime stories, perhaps because the form is so easily mocked. The best parodies, like Beerbohm's, have an edge of seriousness to them. *Scrutts* and *Perkins and Mankind* are nearly Bennett and Wells on off days, Cyril Connolly's *Told in Gath* gets very close to Aldous Huxley.

There have been attempted parodies of almost every great amateur detective, Poirot and Thorndyke, Father Brown, Nero Wolfe and Peter Wimsey, as well as of James M. Cain and Raymond Chandler, but Dwight Macdonald did not think any of them good enough for inclusion in his anthology of parodies. Even Connolly's much-praised *Bond Strikes Camp* seems to me too camp itself, too knowing for total success. The best crime parody I know, a distinct achievement in the sense that it is carried on through a whole book, is *The John Riddell Murder Case*, by John Riddell.

Who was John Riddell? That question I can answer. He was an American humorist named Corey Ford, and the author parodied was S. S. Van Dine, whose languid, elegant, intolerably erudite aristocratic detective Philo Vance was then at the height of his fame. The pomposity of the Van Dine style is perfectly caught:

The tone is just right, an exaggeration which never becomes preposterous. The Vance form is highly ingenious. Riddell's body is surrounded by the season's best sellers, who include Theodore Dreiser, Sherwood Anderson, Erich Maria Remarque and Beverley Nichols. There are lively caricatures of them, as well as of Van Dine himself, by Miguel Covarrubias. Each chapter carries on the story (well, more or less), and each is written as a parody of the best-selling writer, the manner of Beverley Nichols, or Anderson or Dreiser. The result is a devastating criticism of Philo Vance, and naturally of Van Dine.

One must avoid grandiose claims. Few people now read Van Dine, and fewer still recall some of the best-selling parodies, like Peggy Hopkins Joyce (who had a great success with her daring autobiography, *My Marriage and Me*), the traveller Richard Halliburton or the poet Joseph Moncre March, whose *The Wild Parry* was causing a stir. *The John Riddell Murder Case* is an amusing, adroit and occasionally out-of-date. It does deserve, though, a place of honour, beside Charles Felix and B. C. Skotrowe, in the crime fiction addict's cabinet of curiosities.

Who wrote the first full-length detective story? The obvious favourite is *The Moonstone*, which was called by T. S. Eliot in a famous phrase the first, the longest and the best of detective novels in English.

The book was published in 1868, and very likely Eliot made that "English" qualification because he knew that Emile Gaboriau's *Lerouge*, had appeared in serial form as early as 1863. Collins and Gaboriau, however, are not the only contenders. The first full-length book recommended in the "two centuries of cornerstones" making up Howard Haycraft's and Ellery Queen's "definitive library of detective-crime-mystery fiction" is *Bleak House*. Claims have been made for Godwin's *Caleb Williams*, for Le Père Goriot and other works by Balzac, and for Bulwer-Lytton's *Peckham*. None of these, though, has a crime and its detection at the heart of the story, although they show detectival elements.

My own candidate is *The Notting Hill Mystery*, which I read for the first time six years ago when I was working on a history of the detective story. The book, which in some ways anticipates the style and themes

of later detective stories, quite bowled me over. The year of publication was 1865, the author was said on the title page to be Charles Felix. I shall say more about the book, but my immediate preoccupation was with the author. Who was Charles Felix and what else had he written?

The name had an air of pseudonymity about it, and this was confirmed by the British Museum catalogue, which said FELIX, Charles (pseud.). See HENDERSON, R., and O.T., I. But the BM catalogue, as any body who has used it much soon learns, is subtle, deceptive and full of traps for the innocent. R. Henderson was fictional—was, indeed, the narrator in *The Notting Hill Mystery*, which is said to be "compiled by Charles Felix from the papers of the late R. Henderson, Esq." And T. O.T., the author of *Barefooted Birdie*, a *Simple Tale for Christmas*, proved also to be Charles Felix. There were two other books listed under Felix's name, *Velvet Lawn* and *Mystery*. I read these three delectable novels as well as *Barefooted Birdie*, in a quest for the late R. Henderson, Esq., and he had written something else as good as *The Notting Hill Mystery*. The pages of *Ram Dass* and *Barefooted Birdie* were uncut, and as I slit them in a surreptitious way with a nail file, I felt not only slight guilt, but also an explorer's sense of excitement.

Not for long, however. *Barefooted Birdie* proved to be the most distastefully sentimental of

Victorian Christmas stories, *Velvet Lawn* no more than a competent melodrama, and *Ram Dass* a variation on a standard Victorian theme of the wicked man from the East lusting after a white girl, turned to his wife's photograph in the detective fiction and in particular to John Carter of Sotheby's, whose death this year was a sad loss to those interested in detective and other literary byways. Forty years ago Carter produced the first serious catalogue of detective fiction and the subject had long since waned, he treated me with his customary elegant urbanity. He knew nothing about Charles Felix or his book, but told me of several guides to minor Victorian writers which might be useful. Alas, Felix was too minor for any of them. I found out also that *The Notting Hill Mystery* had first appeared anonymously as a serial in the journal *Once a Week* in 1862. *Once a Week* was a rival to Dickens's *Household Words*, and the book was almost certainly written in the hope of a success comparable to that of Wilkie Collins's *The Woman in White*, which had recently appeared in Dickens's magazine. The anonymity of the original publication suggested that the author was perhaps on the staff of *Once a Week*. A history of Victorian magazines might have told me something about him, but although almost every other aspect of Victorian life has been explored in sometimes excessive detail, no such

history exists. The last glimmer of hope came when I learned that the book had been reprinted as late as 1945, in *Novels of Mystery from the Victorian Age* chosen by the dozen of crime critics, Maurice Richardson. The gleam was extinguished when Maurice told me that they had reprinted it from *Once a Week*. He had from *Once a Week*, and did not even know that the serial had appeared between book covers.

So far the mystery of Charles Felix, which I hope may be solved one day, perhaps even through this page of *The Times*. But something more has to be said about *The Notting Hill Mystery*, both to justify my view that it is an original and very interesting work, and to explain why it is not in print.

It has what was for the time an unusually factual approach. Ralph Henderson, the narrator, is an investigator for a life assurance company, and tells the story in reports to his employers. These reports include extracts from correspondence, journals and memoranda, extracts from a doctor's diary, statements and depositions by people of all classes involved in Henderson's attempt to discover whether Baron R. was responsible for the death of the wife whose life he had insured with five different companies at £5,000 a time.

The effect is very much like that of a modern documentary crime story. Statements made by working class characters, in

particular, have the right sort of jerkiness and brevity. Felix's hints go in relation to the semi-literate, like that "most excellent person" Mrs Taylor, who is looking after the Honourable C.B.'s children: "I am truly thankful to say the dear children are brought well with miss Karren made herself ill on Tuesday and poor miss Gertrude were very bade in consequence for 3 days but his now quit well again."

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JOHN RIDDELL—  
INVESTIGATING A CASE  
OF BOREDOM

THE JOHN RIDDELL  
MURDER CASE  
A PHILO VANCE PARODY

Previous complaint: "Missing No Offense"

Accused of:  
SALT WATER TAFT  
Threatened by Mysterium Genuit  
LONDON:  
CHARLES CLIFFORD & SONS















Committee cites  
asteful  
public spending  
page 16

# THE TIMES

## BUSINESS NEWS

Personal  
investment  
and finance  
pages 16 and 17

### Industrialists will tell Government pay policy must be backed by Whitehall monitoring

### Stock markets down steeply on impact of White Paper measures

### All jobs to count in £8,500 freeze level

Malcolm Brown, industrial leader, is to go to the Government and demand legislation making it compulsory for Whitehall to monitor pay claims under the new pay policy.

They will tell the Prime Minister that without a statutory monitoring system the whole policy could be undermined. It is feared that companies faced by labour troubles need to recruit labour quickly to fulfil urgent contracts could be tempted to take the risk of making under-cover settlements which go beyond the pay limits.

The Confederation of British Industry said yesterday that neither it nor the Trades Union Congress had adequate resources to mount a swift and efficient monitoring programme. Monitoring machinery would need to be both comprehensive and quick if it was to work effectively.

First reaction of industry to the new pay policy was relief that the Government had at last taken a stand, but there were strong reservations over the make-up of the restraint package.

In a brief statement the CBI reiterated its belief that an incomes policy by itself was not

enough: "The Government must take action to control its expenditure, its borrowing requirement and the money supply."

Although not in agreement with all the proposals, industry would "do all in its power to make it as effective as possible". But the monitoring provisions did not go nearly far enough.

"We warned ministers that compulsory reporting to Government of pay claims, as well as settlements and intended settlements, was essential if the policy was to be fully observed", the statement said.

"This becomes all the more important since Government has decided, against our strong advice, not to seek legal powers to enforce its pay policy, unless it covers the pay limit is endangered."

CBI officials expressed regret that the Government had not seen fit to adopt a percentage pay limit. They fear that the burden on low pay industries may in some cases be disproportionate and there is concern at the effect which a flat rate system will have on differentials.

But privately several industrial leaders feel that the difficulties involved will be worth-while if the TUC can carry through the 65 limit scheme without hitches.

One provision of the White Paper which is bound to raise angry voices when the CBI's grand council meets to review the package on Wednesday is the curfew point of £8,500, above which there will be no increases.

It is thought that this could tip the balance with many middle management in industry, already frustrated by what they consider low levels of remuneration in comparison with their European counterparts.

The decision to set a curfew point at £8,500 was described as "vindictive" by the Institute of Directors, which represents 44,000 of industry's top executives.

Mr Jan Hildreth, the institute's director-general, said that a flat percentage increase of less than 10 per cent would have been less inflationary and more equitable.

To single out this small group, making up less than 1 per cent of the working population, is misguided for it contains business leadership which is critical to the recovery of the nation's economy."

The Association of British Chambers of Commerce said

that the acid test of the Government's proposals was whether they worked. Mr Nicol Mobbs, chairman of the ABCC's council said last night that while he welcomed the reality of the Government's assessment of the situation, it might be wise to hold back on any congratulations until the country was safely through the winter.

The City's reaction to yesterday's measures was to give a warning that there were still many fundamental problems to be solved if the long-term health of industry and the economy was to be restored.

"But the immediate need is to make certain the patient survives at all by bringing down the fever of inflation," Mr Michael Marriott, chairman of the Stock Exchange said.

As the Prime Minister was announcing the wage ceiling, 9,000 workers at British Leyland's five bus and truck factories in Lancashire were voting to accept a pay deal which will give them £6 a week more from September, when their existing wage agreements run out.

Mr Campbell Adamson, director general of the CBI, which wants the Government to monitor pay settlements.

It was thought in the market that the fall in prices had prompted the postponement of the new "tap", but that when the market began to recover it was decided to go ahead after all.

The new stock is expected to have a dampening effect on prices when dealings begin on Monday.

In the equity market, Mr Wilson's speech was greeted with a brief upturn in share prices, as bears came in to buy

because it is said to have become difficult to operate when officials do not have enough knowledge to discriminate between excess expenditure caused by inflation and excess expenditure caused by mismanagement on a particular programme.

These difficulties are specifically referred to in the White Paper. "At a time of rapid inflation and with important changes in relative prices," it notes, "this system needs reinforcing in appropriate programmes by placing a limit on the amount of money which the Government is prepared to pay in the year ahead towards the purchase of the planned volume of resources."

In other words, cash limits are to be imposed over a large part of public expenditure. But the Government says that their "extensive use" awaits the 1976/77 financial year and remarks that they are not a suitable method of controlling services such as social security benefits.

The review bodies which determine the pay of such central government employees as the armed forces and the Civil Service are required to comply with the 65 pay limit, while pressure is to be applied on local authorities and nationalized industries, through the rate support grant and checks on borrowing, to make sure they too abide by the new policy.

The practice of controlling expenditure in real terms has been singled out for criticism.

Further increases in gas, electricity, and railway charges this autumn seem unavoidable as a result of the Government's decision to place tight financial constraints on the nationalized industries. The Treasury is sticking firmly to a target of £100m of deficit subsidies for state enterprises in 1975-76, which £70m is earmarked for the distressed Post Office, which has already announced plans for big price rises from September.

Borrowings are to be severely monitored and cash resources which are applied to wage costs cannot expect Whitehall to guarantee their deficits, which means they will have to make economies to help their revenue accounts. With strict controls on borrowing, there will be a fight to maintain capital

investment schemes, some of which may be cut or postponed because funds available in real terms will probably be inadequate.

The Treasury's decision to put public corporations in a financial vice reflects the Chancellor's twin objectives of controlling their wages while driving them back towards economic self-sufficiency and, next year, a return to statutory financial objectives.

This year, the Treasury will pay out about £650m in deficit subsidies against their accounts for 1974-75. This is on top of £355m paid out in 1973-74 and the £3,751m in general write-offs of debt and deficits since 1960. However, the restriction of £100m on 1975-76 taxpayer subsidies contrasts with an original forecast of £250m, before the Chancellor began to encourage the state industries to raise their prices progressively with a view



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Gilt-edged stocks and equities responded unfavourably to the Government's White Paper, although the gilt market's performance was complicated by expectations—finally confirmed after dealings had closed—that a new long "tap" stock would be announced to replace the expired Treasury 12½ per cent 1995 issue.

The new "tap" is to be of £750m—larger than the previous £500m issue—with a coupon of 13½ per cent, a maturity of 1997 and an issue price of £94½ per cent.

On the foreign exchange markets sterling dropped sharply but recovered to close slightly higher, with a net rise of 5 points to 52.2005.

Earlier in the day gilt prices, both "shorts" and "longs" had risen swiftly by around 1 point from overnight levels. However, as details of the White Paper became public, selling developed and gathered pace until the close.

The absence of the expected new "tap" stock at that stage helped the market to a strong recovery after hours. "Shorts" ended the day about 1 or 2 points on the day while the losses in "longs" were cut back to 1 or 2 points.

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effect on purchasing power of the greater rate at which prices will exceed the stipulated rate of pay rises.

On average earnings of £200 a year, an increase of 10 per cent would lead to a rise in the cost of living of 10 per cent. By contrast, if inflation is reduced from the present level of about 25 per cent to 10 per cent by September 1976, the average rate over the coming year is likely to be 17 or 18 per cent.

It is clear from recent official government figures that general living standards are already being hit by rising prices. In the first three months of this year there was a fall of 1 to 1½ per cent in real net disposable income—the best measure of living standards.

Savings have been reduced from the historically high levels prevailing at the end of last year, but hitherto the available evidence has suggested that the personal sector was actually saving more than usual, presumably out of concern about employment prospects.

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A wage freeze is decreed in the White Paper for those earnings in excess of £8,500 a year—a figure which is a compromise between original TUC and government suggestions.

The White Paper is somewhat vague on salary rises. The TUC proposals, as amended by the Government, state that those over the curfew limit should forgo any increase in their incomes in the present period of difficulties.

However, Whitehall sources were anxious last night to state that "income" refers to total assessable income for tax purposes and includes fringe benefits. This means that it will prevent people holding down two jobs at, say, £5,000 a year each and seeking two £6 a week increases. In such a case the income will be considered to be £10,000 and thus no rise will be payable.

This will also cover people with a long string of relatively low paying directorships. Directors are considered part of assessable income and therefore the "curfew" limit will operate in the same way.

It appears that there are no particularly reliable government figures for the number of people earning in excess of £8,500 a year. The Department of Employment yesterday estimated that 120,000 people were above the cut-off point based on average weekly earnings.

Fringe benefits are not defined in the White Paper, but as the higher income earners are concerned, it will again come back to what is assessable.

However, the document does recognize the vast scope at all levels for evasion of the spirit of the proposals by the use of non-assessable fringe benefits by starting "Newcomers" will be expected to offer any improvement in non-wage benefits against the pay figure."

Incremental wage increases also fall under the scope of the White Paper. Employers could be given statutory relief from meeting any contractual obligations in this field.

Government sources, however, provided a loop-hole by saying that incremental increases can be paid provided the total of such rises does not exceed the 10 per cent limit. This is on top of the maximum £6 a head general rises.

Again there appear to be no reliable government figures for those covered by incremental scales.

The Government's proposals are "voluntary", but will be backed up by the Price Code. However, two important areas, the banks and the insurance industry, are not covered by the Code.

Does this mean that high paid bank executives and their staff can ignore the curfew and the £6 a head maximum?

Well, said Whitehall, the Price Code might be revised to include these two sectors and the Government could use other weapons as a measure of disapproval such as cutting off special deposits from the bank.

Chairmen of the state industries and their unions, representing 2 million workers, are to begin talks on the impact of cash ceilings on wage bills. In some cases, there will be some tricky problems flowing from possible overtime restrictions, disrupted incremental payments, incentives, and bonus arbitration procedures.

Finance members of some boards still want some answers from the Government about actuarial deficits in pension funds, presently covered from revenue accounts while arguments with Whitehall over Exchequer payments drag on. One worry for the Treasury on the nationalized industries contribution to borrowing requirements is the news that the British Steel Corporation has to deal with a £37.5m loss in its current financial year but cannot raise prices given its market position.

Higher freight charges seem certain because of a large deficit on its operations which the Government is not prepared to guarantee.

State industry borrowing requirements are to be rigorously monitored because of great uncertainties about the British Steel Corporation, which is now suffering greatly from falling demand but has a huge investment programme to sustain.

The Government will be seeking to protect investment programmes as best as they can, but some cuts seem inevitable given the general inflation in the cost of materials and equipment. Whitehall expects the State undertakings to take a more rigorous look at their manpower requirements and to search out all possible economies to raise productivity.

More certain is a rise of around 20 per cent in the tariffs of the British Gas Corporation. Railway fares are expected to go up in September, and the British Railways Board is to have a ceiling on its passenger

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By Desmond Quigley

A wage freeze is decreed in the White Paper for those earnings in excess of £8,500 a year—a figure which is a compromise between original TUC and government suggestions.

The White Paper is somewhat vague on salary rises. The TUC proposals, as amended by the Government, state that those over the curfew limit should forgo any increase in their incomes in the present period of difficulties.

However, Whitehall sources were anxious last night to state that "income" refers to total assessable income for tax purposes and includes fringe benefits. This means that it will prevent people holding down two jobs at, say, £5,000 a year each and seeking two £6 a week increases. In such a case the income will be considered to be £10,000 and thus no rise will be payable.

This will also cover people with a long string of relatively low paying directorships. Directors are considered part of assessable income and therefore the "curfew" limit will operate in the same way.

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#### FOREIGN REACTION

### Bankers doubt ability to reach target

From Peter Norman Bonn, July 11

Bankers in Düsseldorf, Frankfurt and Zurich were generally sceptical that the wage control package will achieve its goal of bringing the inflation rate down to 10 per cent by this time next year.

While the bank economists and foreign exchange dealers welcome the Government's plan as a worthwhile step in the right direction they remained doubtful on how it could be achieved.

The small majority by which the TUC General Council accepted the £6 a week pay figure clearly unsettled opinion in German and Swiss financial centres. Bankers were today reacting that Mr Wilson's government was a very slim majority which could impair the political will needed.

The prospects for the pound seem fairly grim, if the European bankers' views are shared elsewhere.

The popular argument is that even if effective, Mr Wilson's anti-inflationary measures will take time to work. In the intervening period the gap between inflation in Britain and elsewhere in the world, not to mention Britain's economic, social and structural problems,

will mean that sterling will come under renewed downward pressure.

David Cross writes: The anti-inflation programme was generally welcomed in Brussels as a genuine attempt to cure the country's economic ills. Nevertheless, many doubts remained on how effective it would prove to be after the failure of so many earlier prices and incomes policies.

Frank Vogt writes: American government officials and businessmen have been shaking their heads and expressing grave worries for months now about the state of the British economy and so it was no surprise that they should greet the measures announced in the White Paper with enthusiasm.

The hope, however, was widely expressed that the new measures would be the first of a series of steps, rather than the total response of the British government.

Incomes policies are deeply opposed by President Ford's economic advisers, but they seemed to cast their philosophical objections aside and suggest that in the British context a firm stand on prices and wages was probably essential. This is certainly the view of the International Monetary Fund.

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#### PRICE CODE

### 10pc ceiling proposed for some goods

Successful operation of the £6 pay limit plan will be followed by further changes to the Price Code which will enable the Government to limit price rises of a certain range of goods, food and non-food, to around 10 per cent in a 12-month period.

While a total freeze of prices is attractive to the Chancellor, he is aware of the effects of this on the retail industry make it impossible. The alternative that will be discussed in the Department of Prices and Consumer Protection, the CBI and the Retail Consortium will be to impose limits on certain items which make up the family shopping basket.

If this limitation programme cannot be agreed, Mr Healey said yesterday, the alternative might be to extend the period of obligatory price rises



# Commons report criticizes careless Whitehall spending

By Peter Hill and Roger Violette

Whitehall's management of large sums of taxpayer's money, being channelled into sectors of British industry from bread subsidies to atomic energy, was criticized yesterday by the Commons Public Accounts Committee, the Government's watchdog on public spending.

In its report, two government departments, the Ministry of Agriculture, Fisheries and Food and the Department of Prices and Consumer Affairs are taken to task for failing to make a detailed examination of the books and records of bakery companies receiving £78.4m in subsidies, which were aimed at avoiding price increases in some types of loaves last March.

After investigating the circumstances under which the subsidy was calculated, the committee said it was surprised that public expenditure of nearly £80m a year "should rest so largely on information which had not been subjected to independent verification by the Ministry before the event, and only partial verification afterwards".

In detailed negotiations, the bakers provided details of the extra income they expected from the increased price of the varieties of loaf to be subsidized and from the quantities of flour used in the production of this bread.

This was broadly in line with available independent data and detailed examination of books and records was not considered necessary.

The committee accepted that the scheme had to be introduced in haste but said that as a general principle, information on large payments of public funds should always be checked.

Between £35m and £40m of value-added tax revenue had been lost because of insufficient staff to check on traders liable for payment.

According to the committee's report, "very substantial amounts of tax must have been lost through under-declarations of tax, whether deliberate or unintentional".

The Customs and Excise department estimated that there would be a loss in 1974-75 financial year of up to £40m as a result of undetected under-declarations of the tax, unidentified under-assessments and insolvencies.

"We are deeply concerned

that substantial losses of tax are being incurred and recommended that the department should proceed as a matter of urgency to implement their proposed improvements in the administration of the tax, so that full enforcement procedures are effective much sooner than they appear to be at the present", the committee said.

The committee also expressed concern at the operation of selective financial assistance to companies under the terms of the Industry Act, which allows the Minister to make "more particular inquiries into specific cases" next year.

It indicated that it would want to keep under review the control arrangements for administering various forms of government financial assistance under the amended Act. The committee's findings are based on questioning of Department of Industry officials, including Mr. Bates, chief adviser on industrial policy.

Between March last year and the end of February this year, the department received 60 "rescue" applications for financial assistance under sections 7 and 8 of the Act. Offers made involved a total of £74.45m but 29 applications were still under consideration when the committee completed its investigation.

The report underlined its continuing interest in the administration of the Industry Act cash disbursements, and referred particularly to cases earlier this year, when recommendations made by the independent Industrial Development Advisory Board on particular applications were overruled by Ministers (most notably by Mr. Westwood) when he was Secretary of State for Industry.

There is clearly disquiet at changes in the criteria applied to applications for assistance. Officials told the committee that viability of a particular project was no longer regarded as an essential consideration.

Financial assistance to the state-owned Govan Shipbuilders, the successor company to the ill-fated Upper Clyde Shipbuilders, and to Cammell Laird Shipbuilders (in which the Government has a 50 per cent interest) came under particular scrutiny.

Dealing with Govan, the report refers to the Government commitment of about £35m to support the company over the

five year period from its establishment in 1972.

Critical assumptions on productivity improvements and the level of losses on its order book had since been rendered false, and the Department of Industry calculated that instead between £50m and £60m would be needed.

The Department's handling of the assistance being made available to Cammell Laird received sharp criticism.

Noting that the original total aid package of £25m covering capital reconstruction, working capital and provision for losses was likely to be greatly increased—largely because of the rise in capital works costs from £14m to a likely £32m—the committee spares neither the company nor the Department.

The Department relied on the company to ensure that the cost of the scheme was reasonable. Your committee deplores the lack of effective financial control over the public funds involved, and recommends that the total liability to public funds should be reviewed as soon as possible so that Parliament may be fully informed of the nature and extent of the Government's commitment", the report said.

A three-year delay in completing Britain's first prototype fast nuclear reactor at Dounreay in Scotland should be subject to an inquiry by the Atomic Energy Authority (AEA), the Treasury and the Department of Energy, the committee states.

Avoiding delays to competing projects of this nature "is of crucial importance to the national economy". The inquiry should make a detailed analysis of the causes and cost of the delay.

It was surprised to find that the arrangement for reimbursing The Nuclear Power Group (TNP), the consortium responsible for the project management, for expenses estimated at nearly £4m should be on a cost plus basis, with no financial incentive to ensure efficient management of the construction.

Reimbursement of expenses continued on this basis even when the company received additional management support from the AEA in areas where the cost was not as fast as expected.

"Third Report of the Committee of Public Accounts, House of Commons Paper 374, HMSO, Price £5.05.

## Coats wins contested vote to pass dividend

From Margaret Drummond Glasgow, July 11

Coats Patons, the textile group that took a controversial decision to pass its final dividend, today received majority approval at its annual meeting in Glasgow amid pleas from leading financial institutions that the company strengthen its communication with shareholders in the future.

Around 200 people attended the meeting, including representatives from the various investment protection committees, the Church Commissioners, the Post Office pension fund and the British Rail pension fund.

Despite the serious criticisms voiced by institutions over the decision to cut the dividend for the year, culminating in recommendations by the Investment Protection Committee of the Pension Funds and the Unit Trust Managers to vote against adoption of the group accounts, the two-and-a-half hour meeting passed off peaceably enough with the resolution to make a scrip issue, passed by a majority of 17.8 million votes to 4.6 million in a poll that the board evidently saw as a gratifying vote of confidence.

But Mr David Hopkinson, investment manager for the M and G financial group and chairman of the investment protection committee, spoke in strong terms against the issue of scrip alongside the dropping of the final dividend.

He termed it "cosmetic financing", sentiments that were echoed by Mr McDonald, investment secretary for the Church Commissioners, who pointed out that many gross funds such as his had bought Coats shares for steady income and were statutorily debarred from selling the scrip for cash.

Mr Hopkinson queried the precedent set by the company's arrangements to help small shareholders sell their scrip and the waste of management time and money the whole situation had caused. The strongest institutional objections appeared to centre on the fact that the group had not consulted its shareholders about the sudden decision and both Mr McDonald and Mr Hopkinson called for the appointment of an independent director to the Coats board ahead of the expected legislation. They suggested closer relations between it and the shareholders to prevent such an unhappy situation arising again.

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## PERSONAL INVESTMENT AND FINANCE

### Insurance

# When pets can be pests...

We are a nation of pet-lovers. But, on occasions, pets can be the cause of a good deal of trouble and expense. If, for instance, you know that your dog particularly likes to get the better of postmen, and you fail to keep it out of reach of yours, you will have to pay for a new pair of trousers.

Or your dog could rush out into the road and cause a serious accident. In this event, the dog owner would be liable for claims for personal injury and damage to cars.

In most cases, you should be covered for claims for which you are legally liable under your household policy or, more likely, by a personal liability extension to that policy. Make sure that you have this extra cover; many household policies give it as a matter of course.

If you give your liability to others in personal capacity, ask for it to be added; it is cheap enough.

If a dog of yours causes damage by killing or injuring livestock, you will be liable for the damage. Incidentally, this does not simply apply to sheep but extends to poultry—and even pheasants or partridges which are being reared by hand.

The fact that you may have taken all reasonable care will not absolve you from liability if your dog kills or injures livestock. There are, however, two exceptions. The first applies if the damage takes place on your land or on the land of somebody else who has authorized the dog's presence and the livestock which suffers has strayed on to the land. There is, of course, no exemption if a farmer says you can take your dog on to his land and it then kills some of his livestock which had a perfect right to be there.

The second exception applies where the damage to the livestock is due to the fault of the person to whom the livestock belongs. That may not always be easy to prove.

Remember that, although you may be insured, an insurer will pay out only where it is quite clear that you were legally liable. An insurer, therefore, may resist in your name, a claim which is made against you. Unless the other side can show that you have a legal liability, no compensation will be forthcoming from your insurers.

If, for instance, he or she has been good to you in different ways over the years.

If a farmer should shoot your dog, it does not necessarily follow that you can claim compensation from him. You will have no claim if at the time of the shooting the farmer believed, and had reasonable grounds for believing, either that your dog was worrying or was about to worry his livestock and there was no other means of preventing the worrying; or that the dog had been worrying the livestock, had not left the vicinity, was not under anybody's control and there were no practicable means of telling to whom it belonged.

To be in the clear, a farmer shooting a dog in such circumstances must report it within 24 hours to the police.

A farmer or anybody else, however, does not have that "right" to shoot a dog worrying livestock if the shooting occurs on land to which the livestock has strayed—if the land is occupied by yourself or somebody else who has authorized the dog's presence.

Horses and ponies, also, can cause damage—particularly by straying on to the road. In the past, there was the curious position whereby if your child's pony strayed from its field into somebody else's garden, and ate a few cabbages, you were liable for the value of the cabbages. But if the pony strayed on to the highway, their owners were not liable as having committed a breach of duty if the land from which they stray is

the main road and caused a serious accident, no liability attached to you.

That has been changed by the Animals Act, 1971. Now, if a horse, pony, cow, etc., strays on to the road, the normal rules of negligence apply, with each case depending on its own individual facts.

It was felt that it would be unfair to impose absolute liability on the owners of livestock. Instead, therefore, all making owners liable in all circumstances if animals stray on to the road, they are liable only if they do not take reasonable care to prevent straying. Thus it is important to take fences and where necessary to mend them promptly.

Incidentally, one can expect the adequacy or otherwise of fencing to be considered in relation to the type of road which it adjoins. Thus a road with only sporadic traffic, probably in the eyes of a court, would not require the same expensive system of fencing as one which carries a heavy volume of traffic, often at high speed.

There have, however, been some concessions to the countryside privileges which have been enjoyed by farmers and other owners of domestic animals. For instance, if animals cause damage by straying from unfenced land on to the highway, their owners will not be regarded as having committed a breach of duty if the land from which they stray is

common land or is in an area where fencing is not customary, or is a town or village green. Naturally, to be able to take advantage of that exception, one must have had a right to put one's animals on that land in the first place.

When you take a horse or pony on the road, you have a duty to take "reasonable care". Here, of course, everything hangs on individual circumstances—such as whether the road on which you are riding is in the country or in a town or the traffic density, the age of the horse or pony (and the extent to which it may be used to traffic), the experience of the person riding, the width of the road and so on.

To a great extent, the potential liabilities connected with the ownership of horses or ponies may be covered by a personal liability policy. In an event, usually this kind of third-party liability can be covered by a comprehensive policy which insures the horse or pony against death or disablement and also covers saddles and other tack.

Here again, of course, as with any liability insurance, it is only one's legal liability which will be covered and an insurer may be prepared to contest your name, a claim which is made against you by a member of the public for personal injury or damage to his or her property.

John Drummond can't

others



This dog's in good hands... but what if yours gets out of control?

## Output dips below level of three-day week

By Mervyn Westlake

The recession in British industry has now reduced the level of its output below that seen even during the three-day week of 1974. Total industrial production showed a further sharp drop in May, and estimates of output in April have also been revised downwards. This means that for 10 months the level of production in the factories and workshops has been almost continuously in decline. Excluding the period of energy crisis in the winter of 1973-74, output is now at its lowest for almost three years.

According to Government figures published by the Central Statistical Office yesterday, industrial production fell 0.8 per cent in May, taking the official index down to 101.2 (1970 = 100).

But significantly, the index has averaged 102.2 a month in the March-May period compared with 103.7 in the first three months of 1974, when workers in many industries were active employed for only three days a week.

It is now clear that although the recession in Britain began rather later than in other major industrialized countries, the gap is rapidly being closed by the pace of decline now being witnessed at home. This suggests that unemployment will almost certainly continue to rise a marked rate in the coming months.

Moreover, recent indications that prices are now rising faster than average earnings, with the consequent drop in consumer demand, imply that industrial production will fall further unless either the level of exports can be increased or people are prepared to draw on their savings to maintain the level of their spending. In the present depressed level of world trade, there is little scope for any marked increase in the volume of exports.

On the contrary, between

### INDUSTRIAL OUTPUT

The following are the index numbers of industrial production in April, seasonally adjusted, released by the Central Statistical Office yesterday (1970=100):

	All Industries	Mining Total
1972 Q1	98.2	98.6
Q2	102.7	101.1
Q3	102.9	102.3
Q4	105.8	105.4
1973 Q1	109.9	109.9
Q2	109.6	110.0
Q3	110.7	111.5
Q4	109.5	110.4
1974 Q1	103.7	106.0
Q2	108.0	109.6
Q3	108.7	110.3
Q4	105.3	106.1
1975 Q1	104.5	105.5
1974 June	108.8	110.6
July	109.3	110.8
August	109.1	111.2
September	106.7	109.0
October	106.7	107.1
November	106.2	107.3
December	102.9	103.8
1975 January	105.0	108.8
February	105.0	108.4
March	103.4	103.3
April	102.0	102.6
May	101.2	101.6

March and May, the volume of exports fell by some 2 per cent. There are now mounting fears that the economic recovery in the rest of the industrialized world, on which Mr Healey is relying heavily to raise activity in Britain, may now be delayed beyond the end of the year.

Since the peak of the last boom, both overseas and at home, in the summer of 1973, industrial output in Britain has dropped by about 8.5 per cent—one of the largest cyclical declines in postwar economic history. In more recent months, production in the manufacturing sector, which is responsible for about three quarters of industrial output, has been falling disproportionately fast.

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## Citibank's prime rate goes to 7 1/4pc

From Frank Vogl

US Economics Correspondent Washington, July 11

The First National City Bank of New York stuck firmly to its special money formula today and increased its prime lending rate to 7 1/4 per cent from 7 per cent.

The bank raised its key rate from 6 1/2 per cent last week, most major United States banks are still holding to a 7 per cent level.

A good number of banks may well join the Citibank at 7 1/4 per cent, but Citibank's senior executives at some banks commented today that with loan demand still very sluggish and with some easing evident in money market rates, they will probably remain at 7 per cent for a few more weeks.

But further increases in the prime rate over the next few months seem certain due to a probable increase in loan demand, liquidity tightening in the markets through heavy United States Treasury borrowing and the likelihood that the Federal Reserve Board will make little effort to hold rates down, they added.

The Fed still appears to be deeply concerned about the money supply expansion rate and money market dealers believe the Fed will continue to hold the federal funds rate around the 5 to 6 1/2 range until the rate of money supply growth has been slowed.

This range, however, is still somewhat lower than the range the Fed appeared to desire in the last few weeks of June.

New Fed data shows that the money supply currency plus demand deposits fell by the largest amount, totalling \$1,500m since mid-March in the week to June 2. The annual rate of money supply expansion in the period ended July 6 was 13.5 per cent, which compares with the Fed's declared target range of 5 to 7.5 per cent.

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## More tanker tonnage at scrapyards

By Our Industrial Correspondent

Eight million tons deadweight of oil tanker tonnage was scrapped in the first six months of this year and since autumn last year, 24 million tons of orders for new tankers have been cancelled. Negotiations for the cancellation or postponement of a further 13 million tons are at present taking place.

The scrapping rate over the first half of the year was four times greater than the historical level and is an indication of the attempts now being made by the tanker industry—which is experiencing one of its sharpest downturns—to bring about a better balance between supply and demand.

These latest estimates of the tanker situation, prepared by H. P. Drewry (Shipping Consultants) coincide with another survey which confirms the hardening of oil tanker chartering rates.

The international weekly tanker index compiled by London shipbrokers, Mullion and Co, rose this week to Worldscale 85 from Worldscale 81 the previous week and Worldscale 79 two weeks ago. But the index level is still below the Worldscale rate of 90 in January.

According to the Drewry survey, however, although rates have improved with the high scrapage rates and cancellations of contracts, there remains a huge surplus to be absorbed before a "genuine recovery" occurs.

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### Pensions

# Women's rights pose problems



## Going broke on a grin and a garden party

A few weeks ago a rash of sports appeared in the American media on the grotesque state our country had got itself into. There was a tendency towards the superficial in the journalism (just add vitriol and stir), technique, and although the main message was more or less right it was often muddled by lack of homework and irritating mistakes.

For example, one article pronounced dolefully that the City of London was bankrupt. This was a gross exaggeration. A number of eminent sources in the square mile, who said that they must have meant the GLC. Yelps of anguish there were about that from County Hall, on the other hand, the City of London was in a state of financial distress, but it was far off when the GLC will be in right trouble, even if it is not.

Ironically enough, in view of the sermonizing of these American doomsters, the way ahead has been clearly shown by none other than the City of London—dead on cue about a week after the said article came out, thus causing some amusement over on this side of the Atlantic.

Big cities all over the place are continually being told, suffering from the same financial problem. This is summarized as the withering way of the centre, as both businesses and richer individuals move out leaving ghettos of poverty in their place.

Local taxes, be they rates or whatever, are insufficient to



the New York subways are plastered with posters...

Nearer to home, I can't see it being very good rush-hour advice on the Central Line between Bank and Notting Hill Gate either, where even the ghost of a smile could result in a thick ear or something even more personal.

London Transport have doubtless realized, unlike their New York counterparts, that people are people and they are not going to do what they don't want to do. Thus, as regards the latter situation, it was interesting to note that both cities were about as disgustingly strewn with rubbish as each other and neither of the respective advertising campaigns had evidently had the slightest effect.

So coming back to the financial position of the two cities, I forecast that nothing is going to have much effect there either, but that both of them will struggle and fail to raise the money they need by contrasting but characteristic methods.

New York has managed by promises, threats, cajoling and naked blackmail to get the banks to stump up some \$3,000m with the hint that they are going to need a bit more on top of that. This will go on for a bit, but eventually the bankers' patience will become over-stretched, so by log-rolling, filibustering, bootlegging and naked blackmail, the State of New York and the Federal Government itself

will be forced to fund the loans on an irredeemable basis. I can't see that happening in London, because by the time the problem is really upon us, nobody else is going to have any money anyway. So I envisage the GLC, with typical British resource in the face of danger, digging into our traditional past and triumphantly producing a solution in line with our last abilities.

Getting back to the village concern, it will be decided that the GLC, like any rural community which needs to raise a bit of money, will hold a monster fete in the grounds of Buckingham Palace.

The whole problem—and much the better for it, no doubt—will be thrown over to the women of the capital to solve. So, expect a cake stall showing off the baking prowess of the wives of the Cabinet ministers, rides in the Lord Mayor's coach, the raffling of a council house by Islington Council and a competition to guess the weight of the Post Office Tower. Come one, come all—a magnet for tourists and a treat for the kiddies.

London will still be as broke as ever by the end, but we will all have quite a jolly time of it. Just one problem—what's going to clear up the litter afterwards?

Francis Kinsman

## Taxation

### If you can't pay up, then others must

The size of the capital transfer tax bill on a gift will depend, among other things, on who is paying the tax, or to be more accurate, on who is bearing the tax. If the donor bears the tax, the value of the gift has to be reduced by the amount of the tax. On the other hand, the donee is to shoulder the burden, the tax is calculated on the value of the gift without the complication of grossing up.

I make the distinction between "paying" and "bearing" the tax because the law has to make someone primarily responsible for settling the tax bill, no matter on whose shoulders it ultimately falls. This makes for smoother and swifter tax collection. Not that the law restricts itself to one debtor—it is too devious or that. What it does is to identify the person principally liable, and if that person defaults others are lined up to be unburdened with demand notes and threats.

The principle of it all is that, generally speaking, any person involved in the transaction is liable. But in the case of a lifetime gift, the donor is primarily responsible for paying the tax. If the donee has agreed personally to meet the liability it will be simple enough in practice for the two to come to some arrangement so that the donee is seen to bear the tax.

Incidentally, it is also the donor's responsibility to submit the CTT form to the appropriate tax office when a taxable gift is made, but more about that particular problem another time.

If the tax remains unpaid the Inland Revenue can chase the recipient of the gift for it. In his case, if the gift had originally been grossed up because the donor was to bear the tax, here will be a recalculation so that the donee's liability is limited to tax on the net gift.

The Inland Revenue's powers of pursuit do not end there. If the donee in turn fails to pay, believe it or not, the donor's spouse can be sued for the tax. But the Inland Revenue can only collect tax from this source to the extent, if any, that the spouse has received gifts from her husband (or husband from his wife) after March 26, 1974.

There are some beneficiaries who think that it is a good idea to give everything away now before the tax is raised. But there is a catch. If the gift is made to a charity or a political party, it is exempt from CTT unless made more than one year before death. If made on or within one year of death the exemption is limited to £10,000, and where the gift exceeds this figure the charity or the political party has to meet the tax bill.

So far as bearing the tax is concerned the rules follow those for estate duty in that the tax will normally have to be paid out of the residue of the estate. That is, out of what is left after the payment of the deceased's debts and after settlement of the various legacies. To put it another way, it is the residuary legatees who bear the tax.

Freehold land and buildings are an exception. These assets have to bear their own CTT, so the beneficiary must find the appropriate amount of tax. If the restator (the person who has made the will) does not want the beneficiary to bear the CTT the will must expressly provide that the bequest of freehold property is to be free of the tax. Where it is not so, the donee is liable.

If the personal representatives fail to pay the tax the Inland Revenue has recourse to those who benefit under the will or on intestacy. In the case of a trust, again, as one would expect, it is the trustees who have the prime responsibility for payment, with the beneficiaries standing in their stead should the trustees default.

Under the old estate duty rules, gifts made within seven years of death were liable to duty, subject to tapering relief in the form of a reduction from the value of 15 per cent, 30 per cent or 60 per cent where they were made within the fifth, sixth or seventh year of death.

This rule is carried on into CTT in that, if a gift was made on or after March 26, 1974, and within seven years of death the gift will be liable to CTT on that death. In such a case the donee is responsible for payment of the tax unless the will stipulates otherwise.

Reverting to lifetime gifts, as followers of this series will know, they attract a lower CTT rate than property left behind on death. But this is subject to the rule that if the donor dies within three years of making the gift the higher death rate will be substituted.

In such a case the responsibility for this additional tax falls on the donor, so the receiver of a large gift should beware, and spend it all at once. The donor can avoid the embarrassment by stating in the will that any additional tax is to be paid out of the residue of the estate.

To end on a particularly philanthropic note, it will be recalled that gifts made to a charity or a political party are fully exempt from CTT unless made more than one year before death. If made on or within one year of death the exemption is limited to £10,000, and where the gift exceeds this figure the charity or the political party has to meet the tax bill.

Vera Di Palma

## Investor's week

### Market disappointment • Retailers • Cement

First reactions from the market to Mr Wilson's speech suggested that the City had been on the wrong tack for the previous four sessions. Gilt prices which had been moving up strongly, fell back fairly dramatically as the market's hopes of immediate cuts in public expenditure were dashed.

Equities, too, fell smartly, with consumer stocks upset by the likely impact of deflationary forces on consumer spending.

The stock market will now resume its watch on the attitude of the big unions. Only if recessionary pressures alone appear to be curbing inflation the gilts likely to resume their upward trend. But in equities the overseas earners, relatively untroubled by price curbs, should remain in favour.

There were few takers yesterday for shares in companies whose earnings come from the United Kingdom alone, especially where they depend upon consumer spending.

With the trade unions pressing hard over the last couple of weeks for tighter controls over prices, or even a total freeze on price increases, the retailing sector has been one of the more nervous areas of the stock market.

With results in from Tunnel Holdings, Concrete, Southern's Evans and International Timber this has been a good week for assessing investment prospects in much of the construction sector. The conclusion is that some selective switching might be a good portfolio strategy in the face of a generally uncertain outlook.

Good running yields, adequate liquidity position are available in one or two situations, and that is the recipe that should enable both investors and companies to keep their heads down through anything but a very prolonged construction slump. Arguably, too, p/e ratios are modest enough in selected cases to take care of the capital element in the overall yield once the upturn in activity comes.

The general backdrop is, of course, hardly attractive. But the picture is still depressed despite the greater availability of mortgage funds. This reflects the banks' present grudging attitude to granting building finance and builders' own fears about emerging uncertainty over present rates of labour and material inflation, particularly with such an uncertain selling prospect at the end of the year.

Thus, given that yesterday's government package rejected the notion of a fresh barrage of controls on retail prices and even went as far as to emphasize the need to protect retailers' margins and profitability, the further fall in share prices might have seemed slightly surprising.

The market's relief that the retailers have not been unduly discriminated against, however, has been tempered by fresh uncertainty as to just how deflationary the Government's action is likely to prove. While it is true that this summer's round of high pay awards is likely to leave reasonable strength in consumer spending up to the end of the year, it is now very much an open question what happens after that.

The real key would seem to lie in how high unemployment goes and at what point in that rise consumers in general start to change from a spend-while-you-can to a time-to-save-a-little attitude.

If and when that point arrives the impact on retailers' sales could be quite large. And if it is accompanied by shopworkers—they generally earn less than the national average—pressing for the 66 per cent ceiling as the minimum acceptable wage increase, then the impact on profitability could also be fairly strong.

Road building is still going down, while water and sewage schemes have almost ceased. The outlook for local authority housebuilding is obviously darkened by the present (though probably slow acting) curbs on public sector spending and the hair-raising cost of some homes now after taking account of inflation and rolled-up interest charges.

Schools, hospitals, libraries and other public buildings will all presumably be subject to the same scrutiny and axing, too. This said, however, certain materials, such as cement, obviously take a fairly high share even of a declining market and are sensitive to any upturn in demand throughout the construction sector.

Tunnel Holdings commends itself not only on this general score but also because of its particular virtues, including net cash of £2m, a yield of just over 10 per cent (more than twice covered) at 121p and because the market capitalization is only just over one third of net asset value.

Tunnel lost out to competitors like Associated Portland Cement last year because it was seen as a company of the Common Pricing Agreement, but with that now restored competition is roughly equalized and Tunnel's margins should improve. APC yields 21 points less and is much higher



John Sainsbury, chairman of the Sainsbury food chain.

Profits up to the end of the current year are likely to continue a rising trend, however, and it still seems a reasonable bet that the more efficient and value-for-money retailers will maintain a profit performance above the industrial average in 1976. Food retailers like J. Sainsbury are probably the soundest defensive stocks within the sector, while among the more general retailers it is hard to ignore Marks & Spencer's resilience in the face of previous squeezes.

In general, the greater the weighting of a group towards the consumer durable market, the more vulnerable it is probably likely to be.

Contrary to the directors' expectations, the second half proved even worse than the first for the Hollas Group of textile companies in the 12 months to March 31. From a turnover down from £10.5m to £9.7m pre-tax profits slumped from £854,000 to £233,000, with only £143,000 (against £544,000) coming in the final six months. Earnings fell from 10.25p to 3.66p a share.

Shareholders are to have their total dividend maintained at 5.25p and Mr A. Lawson, chairman, expects at least maintained profits this year. "Only the degree of improvement on that performance is uncertain," he adds.

The results were affected by outside influences, and having improved the financial base the chairman is "in no way despondent". He is sure there will be a recovery from the present economic recession.

Schroders called in for Newman

At the request of Prudential Assurance and other institutional shareholders in Newman Industries, J. Henry Schroder has been appointed by the board of Newman Industries to advise shareholders on the proposals relating to Thomas Poole & Gladstone China and Strongpoint. Schroders have been asked to consider the details of the proposed order, the company's financial position, the criticisms which have been made, and any other matters relating which they consider to be relevant and of substance.

Estates & Gen chief favours merger

Mr J. Laurence, newly-appointed chairman of Estates & General Investments, thinks adjusted terms for the merger with County & Suburban Holdings are "fair and reasonable". He has no doubt the merger presents the best hope for the company.

In a letter to shareholders he points out that the terms were fixed before he was connected with the company and he is, therefore, independent. As an accountant he is also qualified to express an opinion.

Haw Par banned

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Ashbourne probe

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## Stock markets

### Gilts close sharply lower

The Government White Paper was taken badly in the stock market, although it was generally admitted that it contained few surprises. The absence of cuts in public expenditure hit the gilt market, and the City was also disappointed that the Prime Minister again ruled out any prospect of a statutory wages policy at this stage.

The turnaround in gilts was particularly sharp, and a final rally reflected little more than the market's initial technical response to the new tap stock. Some companies came in some hours later than expected.

Equities saw some persistent selling, with lines of major stocks coming on the market. Selling was fairly general, although some shares were singled out for special attention. The trading account ended at 5.0 pm, and a depressing feature was the selling which developed in the new account.

The FT index closed 10.8 off at 313.6, a loss of 3.5 per cent on the day. The two week account still shows a net gain of about 6 per cent, but the overall gain was cut back severely yesterday.

Violent price movements in heavy and at times hectic trading were the main feature in the gilt market. The initial reaction to the Government's White Paper was unfavourable, partly because of disquiet at the extra subsidies on food and

But once gilts had begun to fall back, there was no support for equities. And, as sellers appeared, share prices were marked down. Selling was persistent, rather than heavy—only 5,061 bargains were recorded. But in addition to the profit takers, there were some institutional sellers who wanted to rid themselves of substantial lines of stock.

Equities took no part in the late rally in gilts. In fact the last half of trading, which sees the new account under way, brought sharper falls in major stocks.

Hardest hit were the store leaders. Marks & Spencer at 193p shed 7p as the sellers returned. But Boots, which has been favoured recently, were cut back by 15p to 193p as investors heeded warnings that consumer stocks will be caught in the vice reduced private spending and controlled margins.

United Drapery Stores, also steady over the past fortnight, plunged 7p to 78p. Debenhams (59p) lost 5p. British Home Stores, regarded as committed to the market share more likely to be hit by wage curbs, plunged 22p to 284p. J. Lyons "A" shares lost 10p to 132p, also reflecting fears for consumer spending. But hotel shares, such as Grand Metropolitan (63p) and Trust Houses Forte (101p) held up fairly well, aided by the current tourist boom in London.

Mail order issues remained upset by the prospect of higher postal charges. Grattan Warehouses slipped 8p to 70p. Empire Stores were finally 5p down to 94p.

The turnaround in major industrial stocks ICI from a high of 278p to 266p, a net 8p lower on the day. Unilever ended 14p down at 372p after 378p. Beecham were 9p off at 282p after 297p, Fisons 8p off at 365p after 375p, and Glaxo Group 10p off at 343p after 358p.

In tobacco, shares in Imperial Cigarettes slipped to 64p on further consideration of the interim results, while Bats at 310p lost 10p. Reed int, a dull feature this week, lost another 10p to 210p, and fellow paper-

maker Bowater Corporation fell 5p to 141p.

Among engineering, GKN (224p) lost 6p. Tube Investments 8p to 254p and Metal Box ended 20p down at 230p after sellers had found the market unwilling to take any more. Pilkington Bros, widely dependent upon prospects elsewhere in British industry, ended 9p down at 205p.

The absence of cuts in public expenditure did little to help the major building and construction issues. AP Cement dipped by 7p to 137p. International Timber continued easier, still up by this week's trading statement. National Carboardising fell to 44p after the annual meeting had failed to sustain predictions of an upsurge in trading.

Second line features, almost

Dunford & Elliott is reported to be open to offers for its 5 per cent stake in Johnson & Firth Brown.

overlooked in the general upset, included J. W. Cameron, 8p up at 122p (after 125p) on the reported talks with Ellerman. Vantana put on 6p to 50p on the bid from Spirax. Bank shares were dull, although selling was very light on these pitches. The firm exception was Lloyds, which picked up 3p of their recent loss. Insurance issues were also a few pence off without attracting much interest. A major put-to-developed on the property section, where the absence of controls on business rents was largely overlooked.

Oils were easier, with BP down to 528p as London again turned apprehensive at the lack of support from the United States. Shell (306p) also weakened.

Interest in gold shares was very thin. Most share prices remained at or close to their overnight levels.

Equity turnover on Thursday was worth £2.2m (13,789 bargains). Active stocks yesterday, according to Exchange Telegraph were ICI, Metal Box new, Bowater new, Shell, Imps, Courtaulds, Boots, Commercial Union, Unilever and GEC.

## Latest dividends

All dividends in new pence or appropriate currencies		Year		Year	
		ago		total	
		div		year	
		1974		1975	
		p		p	
Charter Trust (25p) Int		0.55	0.55	15/8	—
Debenhams Corp (25p) Int		0.56	0.56	29/8	—
Hollas Group (5p) Fin		1.18	1.18	1/11	1.13
Leigh Mills (25p)		4.0	4.0	1/10	5.25
NEBO NV Int		0.93	0.88	3/11	0.93
Trafford Carpets (25p)		2.04	2.04	21/7	5.02
Weara Group (10p) Int		1.33	1.33	31/7	1.63
Whitings (5p) Int		0.48	0.48	—	1.0
		0.17	0.17	30/9	—
		0.17	0.17	30/9	0.42

Dividends in this table are shown net of tax in pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross, multiply the net dividend by 1.34. \* Florina share.

## Hollas mauled, but not despondent

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The inspectors, Mr Robin Auld and Mr Robert De Courcy Moore, have been appointed following an application from members of a consortium comprising Great International Securities and others holding 34 per cent of the equity. The company has promised to co-operate, so there could be an early conclusion to the inquiry.

Lane Fox unable to meet commitments

The shares of property developer Lane Fox were suspended yesterday at the board's request because of the company's "inability to meet its commitments".

After being quoted in a new form at 140p in the summer of 1973 the company's shares did particularly badly last year, and at one point reached a "low" of 10p. In November the company decided not to pay a dividend because of its liquid position and the economic outlook.

The shares were suspended at 20p, valuing the company at only £200,000.

Big gain in revenue for Stock Conversion

The accounts of Stock Conversion and Investment Trust which sold its interest in the Piccadilly Circus development, as well as its interest in Colmers, are said by Sir Robert Gifford, Court Road now expects net revenue before tax this year to next March to reach £3.25m. In 1974-75 it was £2.4m and would have been less but for the disposal of the Piccadilly Circus.

The group is still interested in development but rental income on properties completed some years ago is growingly important. Investment properties, last reviewed in 1971 and 1972, are said by the directors to show no fall in value; some, thanks to rent reviews, have shown a big gain. SC has half of Euston Centre Properties and George Wimpey the rest.

IBM sales depressed

With second-quarter net revenue down from \$482.5m to \$468.7m (£213m) Mr Frank Cary, chairman of IBM, says results continue to be hurt by inflation and a significant declines in purchases of data-processing equipment.

Buying is better now than in the first quarter but the chairman says that it is still below the "very high levels" of a year ago—APDJ.

Dubilier recovers

Dubilier, the electrical group, made a lot more in the six months to March 31. The interim results were the best since the new management took over in 1972. Pre-tax profits stood at £289,000, against £24,000. Orders are improving after a fall and the resistor business has been restructured.

The interim dividend is 0.4p, against 0.35p, the first of three payments in an 18-month period.

Diamond Stylus delay accounts to October

Problems with the Voxson hi-fi equipment franchise have led Diamond Stylus, the maker of needles for record players, to delay its accounts until October 22.

The group says that the supply contract over the next two years creates a "substantial future liability which must be stated in our accounts." The company wants to end the contract and this has been agreed by Voxson. But DS wants a legal cancellation before its accounts go out.

In the year to March 31 pre-tax profits fell from £192,000 to £102,000 with stock reductions by customers and steep rises in costs largely to blame.

Trafford losses

Manchester-based Trafford Carpets (Holdings) has run up a pre-tax loss, and has cut the dividend for the year to March 31. Turnover was £2.5m against £2.7m but after heavier depreciation a pre-tax loss of £32,000. There was a profit of £120,000. There was a least cost of £12,000 (nil) and interest charges were more than doubled from £23,000 to £54,000. No tax is chargeable this time against £15,500 last year. The shares rose a least £32,000 against a profit of £105,000. The dividend slides from 3.58p to 2.49p.

Watsham's purchase

Electrical engineer Watsham's is paying £160,000 in shares for 75 per cent of Industrial Pharmaceutical Service, a leading supplier of pharmaceutical products and services for industry. For the year to May 31, 1974, pre-tax profits of IPS were £46,000 and a big rise is expected for the period to May 1975. The shares will be placed with institutions.

Glass & Metal cheer

Reporting interim pre-tax profits up 41 per cent to a record £327,000 for the six months to April 30 Glass & Metal Holdings expects a "satisfactory" increase over the full year. The 1973-74 profit was £611,000. The shares were one of the few good features yesterday. As usual only one dividend will be paid; the interim dividend of 3.15p, the previous 3.15p will be increased by the maximum allowed.

NATIONAL CARBOARDISING. The company is in a slump in world coke prices and other adverse factors but is better placed to withstand this difficult period says chairman. Plans under way for the company to be merged with London & Scottish Marine Oil, and Cawoods Holdings thus providing a strong unit capable of financing heavy development costs.

## Motor insurance

### Double cover is not always double money

Insurance companies are quite happy for people to have more than two policies covering the same risk. Usually the full premium is payable for each—when it comes to making a claim the insurer will claim the full amount twice. Instead, each policy will probably have to contribute to the total cost. In some cases that can mean that two no-claim discounts are lost as a result of one accident. Fortunately, if there are two or more policies covering your car, or providing weekly benefits if you should be disabled, a claim can be made on each, there is virtually no upper limit on which you may insure your car and there will be no scaling down of different policies. But when it comes to every day claims on motor policies you will find, as I mentioned, that two or more different policies may have to contribute to the cost.

For instance, if you have an extension to your household

policy, which covers personal effects and the like on "all risks" terms and some luggage is stolen from your car it may seem as though the policy should meet the whole cost. But that overlooks the fact that, almost certainly, your comprehensive motor policy covers luggage stolen from the car—up to a modest sum.

It is quite likely, therefore, that the "all risks" insurers will call on the motor insurers to contribute to the claim. This means that a claim will be made on your motor policy whether you like it or not and, as a result, your no-claim discount will be forfeited or reduced at renewal.

If you do not have "all risks" cover in personal possessions it will not be worthwhile in many cases (because of no-claim discount considerations)



## FINANCIAL NEWS AND MARKET REPORTS

## 2-for-9 rights at CompAir for £3.7m

CompAir plans to raise £3.7m through a rights issue of new ordinary shares on a 2-for-9 basis at 45p a share compared with a market price of 59p. The group, which makes air compressors and other products employing compressed air, said the money would be used to reduce bank overdrafts in the

## Issues &amp; Loans

United Kingdom. The consequence of strengthening of the group's financial position will mean, says the board, that it should be well placed to continue expansion.

For the year to September 28 next the board expects to pay a final dividend of 2.9p on the enlarged capital, making a total gross dividend for the year of 4.5p—a 10 per cent increase on 1973-74. The issue is underwritten by Morgan Grenfell and the broker is W. Greenwell.

## Feedex raise £438,000

Feedex, the animal grain, agricultural equipment and pig production group, is making a 1-for-1 rights issue of 10p shares at 10p. This will raise about £438,000 after expenses. Dealings will start next Monday. The new shares will rank for all dividends declared in respect of 1975, and Mr. J. Williams, the chairman, has said the board plans to pay the new dividend for the current year. The group is now trading more profitably than at the same time last year.

## Ace Machinery

Third in yesterday's new rights offers is one of 1.02m shares at 25p for Ace Machinery (Holdings). These are being offered on a 2-for-1 basis to members. The issue is not being underwritten. Industrial & Commercial Finance Corporation, which has associated, holds about 46 per cent of the equity, intends to take up its full entitlement.

A.C.E., which makes construction equipment and mechanical dewatering plant, also issues its first interim statement, showing that for the 28 weeks to April 12, net profits of £163,000 on external sales up from £94,000 in 1974. Earnings a share jumped from 9.19p to 15.65p.

## Brokers' views

The publication of the White Paper on anti-inflation policies largely preempted any attempts last week to forecast from within the stock market. But the latest Quarterly Review from Pender & Boyle provides an excellent summary of the City's doubts.

Members think that the equity market may not fall far below present levels again, and advises selected investment, particularly in companies big overseas. In gilts, Pender echoes many other brokers in stressing the need to curb portfolio spending. Sheppard & Associates considers that the relative power of the RP share price is "considerably dependent upon prospects in Alaska and the North Sea. Moreover, Sheppard think a sizable rights issue is on the cards. This opinion forms part of a major survey of the oil industry by Sheppard's which concludes that international oil industry profits seem unlikely to achieve 1974 levels again for the next two to three years.

But the broker likes Royal Dutch/Shell's sound share, good situations, solidly based, and lowly rated. Investors using funds free from the investment dollar premium, it thinks, should switch from Shell to Royal Dutch.

The success of the bid for Midland-Yorkshire Holdings prompts Buckmaster & Moore to take another look at the shares in Croda International. Buckmaster says the shares reflect the aftermath of the bid situation.

Grieson-Grant finds shares in Dunheved-Combe-Marx, the toy-maker, attractive. It thinks that profits will rise from £2.8m to £3.0m this year.

Terry Byland

## Commodities

## Cocoa futures climb by £45

COCOA futures eased from the morning's highs yesterday afternoon, largely due to long liquidation and jobber profit-taking. The close was barely steady, although on-balance gains still ranged from £45 (spot July) to £14 (one month). Dealers attributed the late decline to a natural reaction after an overdue upside movement, while confirmation of the West German grain, at 7.2 per cent higher, possibly attracted a little profit-taking, they said.

London futures for cocoa, per metric tonne, Sept. 1975, £250.00; Nov. 1975, £245.00; Jan. 1976, £240.00; Mar. 1976, £235.00; May 1976, £230.00; July 1976, £225.00; Sept. 1976, £220.00; Nov. 1976, £215.00; Jan. 1977, £210.00; Mar. 1977, £205.00; May 1977, £200.00; July 1977, £195.00; Sept. 1977, £190.00; Nov. 1977, £185.00; Jan. 1978, £180.00; Mar. 1978, £175.00; May 1978, £170.00; July 1978, £165.00; Sept. 1978, £160.00; Nov. 1978, £155.00; Jan. 1979, £150.00; Mar. 1979, £145.00; May 1979, £140.00; July 1979, £135.00; Sept. 1979, £130.00; Nov. 1979, £125.00; Jan. 1980, £120.00; Mar. 1980, £115.00; May 1980, £110.00; July 1980, £105.00; Sept. 1980, £100.00; Nov. 1980, £95.00; Jan. 1981, £90.00; Mar. 1981, £85.00; May 1981, £80.00; July 1981, £75.00; Sept. 1981, £70.00; Nov. 1981, £65.00; Jan. 1982, £60.00; Mar. 1982, £55.00; May 1982, £50.00; July 1982, £45.00; Sept. 1982, £40.00; Nov. 1982, £35.00; Jan. 1983, £30.00; Mar. 1983, £25.00; May 1983, £20.00; July 1983, £15.00; Sept. 1983, £10.00; 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ACCOUNT DAYS: Dealings Begin, Monday. Dealings End, July 25. § Contango Day, July 28. Settlement Day, Aug 5.  
§ Forward bargains are permitted on two previous days.

## THE TIMES SHARE INDICES

The Times Share Indices for 31.07.73 v base date June 2, 1964 (original base date June 2, 1960).

	Index 31.07.73	Div. Yield %	Div. Yield 1964	Index Previous Year
<b>The Times Industrial Share Index</b>	132.49	5.27	14.46	136.41
<b>Largest Co's.</b>	128.62	7.03	12.89	136.18
<b>Superior Share.</b>	131.89	5.10	13.87	137.14
<b>Capital Goods</b>	132.01	7.01	17.25	134.76
<b>Consumer Goods</b>	131.81	5.20	12.72	146.70
<b>Share Stores</b>	110.91	8.29	8.40	115.48
<b>Largest Financial Shares</b>	173.45	5.64	—	175.47
<b>Parpetual Financial and Industrial Shares</b>	130.78	6.77	—	141.89
<b>Commodity Shares</b>	234.58	6.33	27.98	233.25
<b>Gold Mining Shares</b>	629.72	5.92	7.51	635.25
<b>Industrial &amp; Venture Stocks</b>	76.58	5.12	—	74.82
<b>Industrial Preference Stocks</b>	48.1	14.91	—	49.33
<b>2½% War Loan</b>	209	13.98	—	204

A record of The Times Industrial Share Indices is given below.

	High	Low
All-time	126.47 (18.06.72)	89.15 (12.12.34)
1973	126.18 (28.06.73)	81.42 (26.02.73)
1971	126.10 (28.06.71)	80.13 (10.07.71)
1970	126.33 (12.01.73)	120.69 (11.12.73)
1967	126.57 (16.06.72)	77.48 (10.07.72)
1971	174.77 (31.07.71)	122.23 (28.03.71)
1970	145.76 (14.01.70)	110.75 (12.06.70)

\* Flat Index v. 1964







## Matahawk's route alters course

The Bell Records Stakes, which is the most valuable race on the card, could provide Court Chad with his second victory in this course and distance this season. His form stands up particularly well in the scrutiny of the betting, and he is expected to lead the events at Newmarket on Wednesday. At Newmarket in May, Court Chad was beaten by only a few lengths by the favourite, *Widowmaker*, who won the Bannbury Cup. It was one of the most competitive races in the history of the course. Rozel Buoy, who finished fourth, only a few inches behind Penny Post, was second in the Queen Elizabeth Stakes, in which Court Chad won at Lingfield in June.

Mount Streatley, who won the British Flat last year, was the selection for the Arista Records Stakes. He could be the first of two winners that John Dunlop will see in the next few months, being Tadmora, Levania, Duchess of Norfolk's Sea Bird filly, who ran a promising race against the more established *Widowmaker* and Stamen, who won the Hethersett Stakes at Harewood in May on the unequalled *Goodwood*. Horsegrasses, is predicted to flourish in the *Arista* and Boulevardier for the William Hill Handicap Stakes.

[illegible]

The new national coach is the

**Wardron in fall from a winning mount**

A few seconds after winning the Dornspang Handicap at Lingfield Park yesterday, Gold Mark slipped up and caused Philip Wardron, his jockey, a heavy fall.

Waldron, limping badly, was assisted to the winner's enclosure by the trainer, Mr. J. J. O'Connell, and after the saddle was removed from Gold Mark, Waldron was able to weigh in. Gold Mark gasped his off hind leg as he was slippery and my mount lost his footing," Waldron said. Every favourite was beaten at Newmarket on Thursday and it was the same story at Lingfield Park.

two of them starting at odds 10-1, the first favorite, the Birch and the second, the odds-on favorite, the Broken Date was outpaced by Gary Jude. "About time, it's my first of the season," the trainer, Richard Westbrook said.

Stareddo's defeat of the favorite, Staro (5-1), outstayed by So They Say in the Crawley Down Plate.

Ballad Singer, ridden by

**York results**

**2.0 (2.03) ST SAVOUGREAU STAKES**  
2YO COLT (2.03) 50

Dunro, o. f. by Don D-Bred  
Chorus (Mira L Fraser), 10-1

Mine Boy, b c by Decoy Boy  
Pond (Mira L Fraser), 10-1

Spewah, h c by C. Dwyer 10-1

Spewah, h c by C. Dwyer 10-1

Moly (W. C.) Haidy - 1-31-31  
Alton Rawn - 7-4 J. Haidy - 11-12  
Sons God, Master Church, 10-1 Amn  
Haidy - 1-31-31  
Alison Sarah, O ran.  
TOTE: Wm. \$120; pieces, \$36. 43n.  
Haidy - 1-31-31  
Beverly - 1-31-31  
Resident dir. 1mm. 2.87n.

2.35 (2.56) WALMATE HANDICAP  
(13-y-9) 11.261.15 n

Quot. Chng. D. C. by Nymmo-  
Pawnee  
Rafada, ch. B. G. Slarkey 18-11-1

27, are a confessedly "angry"  
reaction to the news that, as open  
World Cup team competition  
by Pakistan. The Inter-  
national Air Lines, is to be orga-  
nized from March 26 to 29 in  
Karachi. Barrington's anger arises  
from the fact that the ISFA,  
whose Committee he chairs, has  
the success of such an event, were  
not consulted about its timing and  
organization.

[illegible][illegible]

Scratch. (R. McEntee) 4-20/10.  
Craggitechie, b. by Royal Palm.  
Scratch. (Brigh) 4-20/10.  
Richardson 4-20/10.  
Clear Melody, b. c. by Night A.  
Haley-Cane. Clear. 4-20/10.  
Richardson 4-20/10.  
3 ALBO RAIN: 5-6 Fair Dancer (14b).  
1-12 Dzy Dave. 5 ran.  
Scratch. (R. McEntee) 4-20/10.  
Sutcliffe, at Epsom, 6/1. J. Inn 2.96  
Scratch. (R. McEntee) 4-20/10.  
4-20 (12.67). MARYCATE HANDICAP  
(21.12/1. 1m 1f).

Graciosa Melody, 10, Mrs. C. L. Melody, 15-11  
 4.00 (4.45) MONKAGE STAKES

Barbaba, 6-9 T, A. Barsky, 15-11  
 Barville, (Mrs. C. Keeling), 6-9 2  
 Gamble, b. f. by Diagonal W, 15-11  
 Aldon, (J.), 15-11

ALSO RAN: 100-50 fast Irish Har-  
 mony, 12-11  
 10-3 Calais, 10-11, 20-1-2 and a  
 Charley, 10-11

TOTE: Wm. 50th place, 15p. 15th.  
 50p. 10th place, 10c. 1st, 50p. 2nd, at  
 4.00 (4.45) MONKAGE STAKES

[illegible][illegible]

**Record £1.4m transfer**

Milan, Italy, July 11.—Naples football club have signed Giuseppe Savoldi, a Bologna striker, in a deal worth about £1.4m — an Italian record.

Naples paid Bologna about £1m plus two of their players. The

1.90: 1. Anomala (4-2 fav); 2. Duke of Devon (2-1); 3. Rorick (6-1). 5 ran.

3.36: 1. Sheela (2-1); 2. Luna Dice (3-1); 3. Murcham (6-2 fav). 5 ran.

6.50: 1. Captain Markie (4-1); 2. Muriel Princess (2-1 fav); 3. Moonstrike (3-1). 5 ran.

transferred to Bologna their veteran Brazilian striker, Sergio Clerici, who scored 14 goals last season, and also gave them part ownership of half back Rosario Rampanti.

1. **Author:** [Name]  
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## SPORT

## Athletics

## Pascoe drops out of crucial cup match

By Neil Allen  
Athletics Correspondent

A not unexpected blow to Britain's chances of qualifying from this weekend's European Cup semi-final at Crystal Palace came yesterday with the news that Alan Pascoe, reluctantly following the advice of both his coach and of his doctor, had withdrawn because of a hamstring injury. Pascoe's replacement will be Bill Hazley, who could still finish second today to the Pole, Rewell, who has already defeated Hazley once this season.

In view of this blow it was heartening to find yesterday that a competition which sometimes seems a cold statistical exercise could be a matter of passion for Pascoe's friend and fellow relay runner, David Jenkins, who is also the British record holder for 400 metres.

After all the hours of comparing points which could be won or lost by Britain in their struggle today and tomorrow with Sweden and Poland to reach next month's cup final in Nice, it was felt that the British record holder for 400 metres, Jenkins, who is also the British record holder for 400 metres, would get the big crowd they want for the Russian match and we athletes won't get all the sorts of backing we need to prepare for next year's Montreal Olympics.

Jenkins's sense of urgency came, I believe, not only from his own will to win the demanding triple of 200 and 400 metres and 400 metres relay. It seemed that he had sensed, among a few of his colleagues, a somewhat lackadaisical, even cynical attitude towards this weekend's crucial match. He said: "We should get together and bust the table and say we must qualify—we must think positively."

His message was echoed by the more self-effacing Frank Clement who, in 1973 won the 400 metres in the cup final in Edinburgh and has interrupted his honeymoon in Scandinavia to race at Crystal Palace. Clement has just returned from abroad after achieving three fast times—a British mile record of 3min 55sec and 3min 35sec and 3min 38.1sec for 1,000 metres. The difference of his hour and today's cup semi-final was, he said, "out there, I was just running for me, now I'm running for Britain and

every point counts. I've got to try and win, whatever the final time, and that includes beating the Swedes, Hockney."

The draw which puts Britain today in against Russia (automatic qualifiers as reigning men's champions), Sweden, Poland, Bulgaria and Spain is, as the British Board's secretary Arthur Gold said yesterday, the toughest of all the semi-finals and may not be decided until "the last leg of the last event". That would be Jenkins anchoring the 4 x 400 metres relay tomorrow. John Le Masurier, the senior British coach said: "Practically every event could be a turning point. Everyone's got to be fighting to get ahead."

I hope that gets through strongly to men like the shot putter, Geoff Cook, who, because of recent brushes with officialdom, might find it hard, for once, to key himself up. No one in the British team must feel poor relation today or tomorrow. I do not wish to open old wounds, but I would feel more sanguine about the outcome if only there was an active team captain, rather than those who have long been absent from the thrill of competition, to pump up the adrenalin.

Of the 10 events down for today's programme, I give Britain a chance, at least, of winning the shot, the 400 and 1,500 metres. With his most spirited finish, Simmons could take the 10,000 metres, though Karlsson, of Sweden, has almost as good a time this season, and Haro, of Spain, is by far the most experienced competitor in a field which also includes the versatile Pole, Malinowski.

The British team need inspiration today with the odds heavily weighed against them in both the 400 and 1,500 metres. The British long jumper, Mitchell, ranks third in the list of those entered but I will be delighted if, calling upon his mental as well as his physical toughness as a deatle, he could win the 400 metres. He is fourth in the hammer but on paper that is only one foot ahead of Blomqvist, of Sweden, so there is another reason for an indrawn breath and crossed fingers.

## English Schools championships

Winners in the English Schools athletic championships at Durham yesterday were:

BOYS: Senior: Long jump: S. Fowler (Glasgow); 100m: M. Smith (Glasgow); 200m: R. Whalley (Dorset); 400m: R. Whalley (Dorset); 800m: R. Whalley (Dorset); 1,000m: R. Whalley (Dorset); 1,500m: R. Whalley (Dorset); 2,000m: R. Whalley (Dorset); 2,500m: R. Whalley (Dorset); 3,000m: R. Whalley (Dorset); 3,500m: R. Whalley (Dorset); 4,000m: R. Whalley (Dorset); 4,500m: R. Whalley (Dorset); 5,000m: R. Whalley (Dorset); 5,500m: R. Whalley (Dorset); 6,000m: R. Whalley (Dorset); 6,500m: R. Whalley (Dorset); 7,000m: R. Whalley (Dorset); 7,500m: R. Whalley (Dorset); 8,000m: R. Whalley (Dorset); 8,500m: R. Whalley (Dorset); 9,000m: R. Whalley (Dorset); 9,500m: R. Whalley (Dorset); 10,000m: R. Whalley (Dorset); 10,500m: R. Whalley (Dorset); 11,000m: R. Whalley (Dorset); 11,500m: R. Whalley (Dorset); 12,000m: R. Whalley (Dorset); 12,500m: R. Whalley (Dorset); 13,000m: R. Whalley (Dorset); 13,500m: R. Whalley (Dorset); 14,000m: R. Whalley (Dorset); 14,500m: R. Whalley (Dorset); 15,000m: R. 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Printed and Published by R. J. B. Limited at New Printing Works, 10, Abchurch Lane, London E.C. 4. Telephone: 01-53-71-71. July 1st 1975. Registered at the Post Office.

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